

# **KNYSNA**

**MUNICIPALITY**



**CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2011**

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**KNYSNA MUNICIPALITY****CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011****GENERAL INFORMATION****MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE****Current Office Holders**

G Wolmarans	Executive Mayor
M L Wasserman	Deputy Executive Mayor [Chairperson: Finance and Governance Committee]
E D Edge	Executive Councillor [Chairperson: Infrastructure Development Committee]
M Williams	Executive Councillor [Chairperson: Community Services Committee]
L M Hart	Executive Councillor [Chairperson: Planning and Development Committee]

**In Office until 18 May 2011**

E R J Bouw-Spies	Executive Mayor
Rev D J Kemoetie	Deputy Executive Mayor [Chairperson: Finance, Economic Development and Governance]
A N H Finn	Executive Councillor [Chairperson: Infrastructure and Integrated Human Settlements]
N E Koti	Executive Councillor [Chairperson: Community Services]

**AUDITORS**

Auditor-General  
Private Bag X96, Bellville 7535

**BANKER**

Nedbank Corporate  
P O Box 472, Knysna  
6570

**REGISTERED OFFICE**

Civic Centre Clyde Street Knysna	P O Box 21 Knysna 6570	Tel 044 - 302 6300 Fax 044 - 302 6333
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**ACTING MUNICIPAL MANAGER**

Ms L Waring

**CHIEF FINANCIAL OFFICER**

Mr G S Easton

**LEGAL FORM**

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

**JURISDICTION**

Greater Knysna area which includes:  
Knysna  
Sedgefield  
Rheenendal  
Karatara  
Brenton  
Belvidere  
Noetzie

**RELEVANT LEGISLATION**

Constitution of the Republic of South Africa (Act no 108 of 1996)  
Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)



**2010 / 2011**

## **MEMBERS OF THE KNYSNA MUNICIPALITY**

### **Current Office Holders**

WARD	COUNCILLOR
1	Grootboom
2	Hart
3	Lizwani
4	Litoli
5	Williams
6	Witbooi
7	Gombo
8	Sopeki
9	Wasserman
10	Dawson
Proportional	Charlie
Proportional	Dyantyi
Proportional	Edge
Proportional	Hololoshe
Proportional	Nayler
Proportional	Nkam
Proportional	Van Aswegen
Proportional	Waxa
Proportional	Wolmarans

### **In Office until 18 May 2011**

WARD	COUNCILLOR			
1	Nayler	T		
2	Jule	M L		
3	Matungana	A G		
4	Loliwe	S R		
5	Botha	J K A		
6	Kemoetie	D J		
7	Koti	N E		
8	Molosi	V M		
Proportional	Bouw-Spies	E R J		
Proportional	Dawson	R A		
Proportional	Finn	A N H		
Proportional	Gungubele	N V		
Proportional	Joyi	W		
Proportional	Mc Combi	H J		
Proportional	Oktober	R E		
Proportional	Wolmarans	G		

I am responsible for the preparation of these annual financial statements, which are set out on pages 9 to 76 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

**L Waring**  
Acting Municipal Manager

**Date**

## **REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON KNYSNA MUNICIPALITY**

### **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **Introduction**

1. I have audited the accompanying consolidated and separate financial statements of the Knysna Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2011, and the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages 10 to 81.

#### **Accounting officer's responsibility for the consolidated financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010)(DoRA), and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a

basis for my audit opinion.

### **Opinion**

7. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Knysna Municipality as at 30 June 2011 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with SA Standards of GRAP and in the manner required by the MFMA and DoRA.

### **Emphasis of matters**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Significant uncertainties**

9. Enquiries of management and the municipality's legal representatives confirmed that the municipality is a defendant in actions instituted for damages and claims totalling R6 558 504. The outcome of these legal claims cannot be determined, but based on best estimate and judgement by management, these amounts have been disclosed as a contingent liability in note 52 to the consolidated financial statements.

### **Restatement of corresponding figures**

10. As disclosed in note 37 to the consolidated financial statements, the corresponding figures for 30 June 2010 have been restated as a result of an error discovered during 30 June 2011 in the consolidated financial statements of Knysna Municipality at, and for the year ended, 30 June 2011.

### **Additional matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Unaudited supplementary schedules**

11. The supplementary information set out on pages 82 to 83, does not form part of the consolidated financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

### **Material inconsistencies in other information included in the annual report**

12. The draft annual report has not yet been submitted to us for review to identify any material inconsistencies that may exist between the annual report and financial statements. The final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 41 to 96 and material non-compliance with laws and regulations applicable to the Knysna Municipality and its municipal entity.

### Predetermined objectives

#### Compliance with laws and regulation

14. The accounting officer of the municipality did not by 25 January 2011 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1)(a)(ii) of the MFMA.
15. A mid-year performance review was not performed by the accounting authority of the municipal entity and therefore not submitted to Knysna Municipality in terms of section 88 of the MFMA.
16. The municipal entity did not prepare and include an assessment by the entity's accounting authority of the entity's performance against any measurable performance objectives set, in terms of the service delivery agreement or other agreement between the entity and its parent municipality, as required by section 121(4)(d) and 127 of the MFMA.

### Reliability of information

17. The reported performance information was deficient in respect of the following criteria:

- Validity: The reported performance did not occur and does not pertain to the entity.
- Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

18. For the selected programmes, 21% of the reported indicators were not valid, accurate and complete based on the source information or evidence provided.

## **Compliance with laws and regulations**

### **Expenditure management**

19. The accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

### **Procurement and contract management**

20. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).
21. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).

### **Asset Management**

22. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register) as required by section 63(2)(c) of the Municipal Finance Management Act.

### **INTERNAL CONTROL**

23. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### **Leadership**

24. The accounting officer and his delegated officials did not exercise adequate oversight responsibility with regards to the compliance with laws and regulations applicable to performance reporting.
25. The accounting officer did not ensure that the adequate controls are in place with regards to the monitoring of predetermined objectives to ensure valid, accurate and complete predetermined objectives are reported.
26. The accounting officer and his delegated officials did not exercise adequate oversight responsibility with regards to compliance with laws and regulations to detect and prevent unauthorised, irregular and fruitless and wasteful expenditure.
27. Management have not complied with the applicable laws and regulations due to the board not establishing adequate policies and procedures which would enable the municipal entity to comply the applicable laws and regulations. Management have furthermore not

established the required governance structures to enable effective oversight of the entity.

**Financial Management**

28. Management did not take adequate action to address risks relating to the achievement of complete and accurate performance reporting. Management did not adequately monitor and review reported performance information.

*Auditor-General*

Cape Town

20 December 2011



*Auditing to build public confidence*

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

## 1. INTRODUCTION

It gives me great pleasure to present the financial position of Knysna Municipality for the fiscal year 2010/2011.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Knysna Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

## 2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play havoc with good financial management. The Knysna economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial bureaucrats take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Councillors, quite correctly, always concentrate on what they perceive as service delivery but if there is a gap, for example in procurement, then a pipe fitting may not be bought causing a problem further down the line outside. Staffing must be addressed in all areas and not in isolation.

### Financial Statement Ratios:

INDICATOR	30 June 2011	30 June 2010
Surplus / (Deficit) for the year before Appropriations	98 807 642	(21 599 014)
Accumulated Surplus / (Deficit) at the end of the Year	854 967 401	769 895 456
<b>Expenditure Categories as a percentage of Total Expenses:</b>		
Employee related costs	31.01%	24.52%
Remuneration of Councillors	1.13%	0.92%
Remuneration of Directors of Knysna Economic Development Agency	0.01%	0.00%
Debt Impairment	3.89%	2.54%
Collection Cost	0.03%	0.03%
Depreciation and Amortisation	4.59%	4.80%
Impairments	0.03%	13.96%
Repairs and Maintenance	4.93%	3.67%
Actuarial losses	1.50%	0.23%
Finance Charges	4.25%	3.55%
Unamortised discount - Interest	0.00%	0.00%
Bulk Purchases	21.17%	14.78%
Contracted services	3.17%	2.61%
Grants and Subsidies Paid	1.44%	1.15%
Stock Adjustments	0.00%	0.00%
Other Operating Grant Expenditure	9.37%	8.67%
General Expenses	13.33%	11.41%
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties.	0.00%	7.14%
Loss on disposal of Property,Plant and Equipment/Investment Property	0.13%	0.01%
<b>Current Ratio:</b>		
Creditors Days	31,5	21
Debtors Days	104	104

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

### 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

The overall operating results for the year ended 30 June 2011 are as follows:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	769 895 456	244 496 729	214.89%	-	-
Operating income for the year (incl. gains in disposal of assets)	503 156 141	445 835 302	12.86%	448 395 000	12.21%
Appropriations for the year	(13 735 690)	546 997 741	-102.51%	-	
	<b>1 259 315 907</b>	<b>1 237 329 772</b>	<b>1.78%</b>	<b>448 395 000</b>	<b>180.85%</b>
<b>Expenditure:</b>					
Operating expenditure for the year	404 348 499	467 434 316	-13.50%	426 036 000	-5.09%
Closing surplus / (deficit)	854 967 408	769 895 456	11.05%	-	-
	<b>1 259 315 907</b>	<b>1 237 329 772</b>	<b>1.78%</b>	<b>426 036 000</b>	<b>195.59%</b>

### 4. CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 54 241 855 (2009/2010: R 99 821 534), and in percentage terms amounts to 93,9% of budget. Full details of Property, Plant and Equipment are disclosed in note number 13 to the Annual Financial Statements.

### 5. LONG-TERM LIABILITIES

<b>2011</b>	<b>2010</b>
R	R

The outstanding amount of Long-term Liabilities as at 30 June was :

<b>173 542 503</b>	<b>168 165 309</b>
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New loans taken up during the financial year to enable the municipality to finance

<b>20 110 799</b>	<b>44 579 000</b>
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Refer to Note number 3 and Appendix "A" for more detail.

### 6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

<b>70 995 552</b>	<b>56 857 750</b>
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Provision for Post Retirement Benefits	53 989 710	44 249 234
Provision for Ex-Gratia Pension Benefits	458 301	429 069
Provision for Long Service Awards	7 101 526	5 466 397
Provision for Rehabilitation of Landfill-sites	3 458 716	1 010 860
Provision for Clearing of Alien Vegetation	5 987 299	5 702 190
	<b>70 995 552</b>	<b>56 857 750</b>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

### 7. CURRENT LIABILITIES

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

Current Liabilities are made up as follows:

Consumer Deposits	Note number 6	9 103 463	8 474 945
Current Employee Benefits	Note number 7	14 389 046	13 163 363
Provisions	Note number 8	3 458 716	1 010 860
Payables from Exchange Transactions	Note number 9	36 847 695	26 323 318
Unspent Conditional Government Grants and Receipts	Note number 10	7 652 883	8 413 996
Unspent Public Contributions	Note number 12	4 500	-
Taxes		304 461	-
Operating Lease Liability		-	-
Cash and Cash Equivalents		-	10 185 666
Current Portion of Long-term Liabilities	Note number 22.1	17 180 613	14 457 926
		<b>88 941 377</b>	<b>82 030 073</b>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

#### **8. INTANGIBLE ASSETS**

The net value of Intangible Assets is:

**88 133**                   **177 516**

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 16 for more detail.

#### **9. PROPERTY, PLANT AND EQUIPMENT**

The net value of Property, Plant and Equipment is:

**878 649 312**                   **807 239 068**

Refer to Note number 13 for more detail.

#### **10. INVESTMENTS**

The municipality held Investments to the value of :

**14 983 551**                   **13 295 235**

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 17 for more detail.

#### **11. LONG-TERM RECEIVABLES**

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R546085.51

**1 081 523**                   **1 791 774**

Refer to Note number 18 for more detail.

#### **12. CURRENT ASSETS**

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**12. CURRENT ASSETS**

Current Assets are made up as follows:

Inventory	Note number 19	2 223 246	1 684 605
Trade Receivables from exchange transactions	Note number 20	43 062 296	39 626 141
Other Receivables from non-exchange transactions	Note number 21	20 423 269	20 134 477
Unpaid Conditional Government Grants and Receipts	Note number 10	3 571 365	7 906 385
Operating Lease Asset	Note number 22.2	-	-
Taxes	Note number 12	603 589	5 460 228
Current Portion of Long-term Receivables	Note number 18	62 931	118 433
Cash and Cash Equivalents	Note number 23	59 528 390	26 963 629
		<b>129 475 086</b>	<b>101 893 898</b>

Refer to the indicated Note numbers for more detail.

**13. INTER-GOVERNMENTAL GRANTS**

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 10 and 25 as well as Appendix E for more detail.

**14. EVENTS AFTER THE REPORTING DATE**

Full details of all known events after the reporting date are disclosed in Note number 49

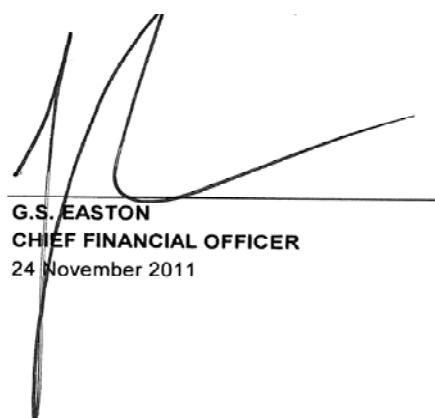
**15. DISCLOSURE ISSUES**

On 12 August 2011, Council and the Municipal Manager came to an amicable agreement to part ways. This is not a post-reporting date event but it may become an expenditure issue in the 2011/2012 financials and therefore can be noted.

**16. EXPRESSION OF APPRECIATION**

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.



G.S. EASTON  
**CHIEF FINANCIAL OFFICER**  
24 November 2011

**KNYSNA MUNICIPALITY****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

	Notes	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net Assets</b>		<b>873 123 140</b>	<b>774 315 506</b>	<b>872 644 355</b>	<b>774 303 520</b>
Capital Replacement Reserve	2	5 199 523	-	5 199 523	-
Employee Benefits Reserve	2	5 242 645	-	5 242 645	-
Housing Development Fund	2	3 057 395	4 420 049	3 057 395	4 420 049
Non-Current Provisions Reserve	2	4 656 176	-	4 656 176	-
Accumulated Surplus/(Deficit)		854 967 401	769 895 456	854 488 616	769 883 471
<b>Non-Current Liabilities</b>		<b>224 437 699</b>	<b>211 012 618</b>	<b>224 419 478</b>	<b>211 011 103</b>
Long-term Liabilities	3	157 973 589	155 996 699	157 973 589	155 996 699
Employee Benefits	4	59 270 413	48 289 490	59 270 413	48 289 490
Non-Current Provisions	5	5 987 299	5 702 190	5 987 299	5 702 190
Non-current Operating Lease Liability	22.1	1 206 398	1 024 239	1 188 177	1 022 725
<b>Current Liabilities</b>		<b>88 941 377</b>	<b>82 030 075</b>	<b>86 603 513</b>	<b>82 005 634</b>
Consumer Deposits	6	9 103 463	8 474 945	9 103 463	8 474 945
Current Employee Benefits	7	14 389 046	13 163 363	14 389 046	13 163 363
Provisions	8	3 458 716	1 010 860	3 458 716	1 010 860
Payables from Exchange Transactions	9	36 847 695	26 323 318	36 833 575	26 298 878
Unspent Conditional Government Grants and Receipts	10	7 652 883	8 413 996	5 633 600	8 413 996
Unspent Public Contributions	11	4 500	-	4 500	-
Taxes	12	304 461	-	-	-
Cash and Cash Equivalents	23	-	10 185 666	-	10 185 666
Current Portion of Long-term Liabilities	3	17 180 613	14 457 926	17 180 613	14 457 926
<b>Total Net Assets and Liabilities</b>		<b>1 186 502 216</b>	<b>1 067 358 199</b>	<b>1 183 667 345</b>	<b>1 067 320 258</b>
<b>ASSETS</b>					
<b>Non-Current Assets</b>		<b>1 057 027 127</b>	<b>965 464 301</b>	<b>1 056 965 266</b>	<b>965 426 360</b>
Property, Plant and Equipment	13	878 649 312	807 239 068	878 587 450	807 201 127
Non-current Assets Held for Sale	14	-	19 215	-	19 215
Investment Property	15	160 441 000	142 103 000	160 441 000	142 103 000
Intangible Assets	16	88 133	177 516	88 133	177 516
Non-Current Investments	17	14 983 551	13 295 235	14 983 551	13 295 235
Non-current Operating Lease Asset	22.2	2 397 856	2 167 750	2 397 856	2 167 750
Long-Term Receivables	18	467 276	462 518	467 276	462 518
<b>Current Assets</b>		<b>129 475 087</b>	<b>101 893 898</b>	<b>126 702 079</b>	<b>101 893 898</b>
Inventory	19	2 223 246	1 684 605	2 223 246	1 684 605
Receivables from Exchange Transactions	20	43 062 296	39 626 141	43 062 296	39 626 141
Receivables from Non-Exchange Transactions	21	20 423 269	20 134 477	19 870 072	20 134 477
Unpaid Conditional Government Grants and Receipts	10	3 571 365	7 906 385	3 571 365	7 906 385
Taxes	12	603 589	5 460 228	603 589	5 460 228
Current Portion of Long-term Receivables	18	62 931	118 433	62 931	118 433
Cash and Cash Equivalents	23	59 528 390	26 963 629	57 308 580	26 963 629
<b>Total Assets</b>		<b>1 186 502 215</b>	<b>1 067 358 199</b>	<b>1 183 667 345</b>	<b>1 067 320 258</b>

## KNYSNA MUNICIPALITY

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Notes	Economic Entity			Knysna Municipality	
	2011 R	2010 R	Restated - Note 38.12	2011 R	2010 R
	REVENUE				
Revenue from Non-exchange Transactions	277 976 473	249 356 219		277 790 620	249 356 219
Taxation Revenue	116 791 378	108 596 693		116 791 378	108 596 693
Property taxes	116 791 378	108 596 693		116 791 378	108 596 693
Transfer Revenue	100 839 544	126 926 865		100 653 691	126 926 865
Government Grants and Subsidies - Capital	36 887 924	65 194 971		36 887 924	65 194 971
Government Grants and Subsidies - Operating	63 128 620	61 731 894		62 942 767	61 731 894
Government Transfers - Contributed Assets	823 000	-		823 000	-
Other Revenue	60 345 552	13 832 660		60 345 552	13 832 660
Actuarial Gains	-	6 061 408		-	6 061 408
Augmentation Fees	2 386 870	2 328 304		2 386 870	2 328 304
Foreign Exchange Gain	74 959	-		74 959	-
Third Party Payments	616 811	429 835		616 811	429 835
Fines	2 338 273	2 124 790		2 338 273	2 124 790
Stock Adjustments	56 614	23 247		56 614	23 247
Reversal of provisions	-	708 060		-	708 060
Gain on Fair Value Adjustments of Investment Property	18 338 000	-		18 338 000	-
Reversal of Impairment Losses of Property, Plant & Equipment	36 174 265	-		36 174 265	-
Other	359 758	2 157 015		359 758	2 157 015
Revenue from Exchange Transactions	225 179 668	196 479 083		225 179 668	196 479 083
Property Rates - penalties imposed and collection charges	2 018 900	1 925 726		2 018 900	1 925 726
Service Charges	202 018 292	175 578 648		202 018 292	175 578 648
Rental of Facilities and Equipment	4 069 244	3 971 780		4 069 244	3 971 780
Interest Earned - external investments	5 914 526	5 875 952		5 914 526	5 875 952
Interest Earned - outstanding debtors	3 872 597	3 777 443		3 872 597	3 777 443
Licences and Permits	1 719 389	1 378 720		1 719 389	1 378 720
Agency Services	1 715 677	1 688 898		1 715 677	1 688 898
Other Income	1 618 694	1 290 679		1 618 694	1 290 679
Gain on disposal of Property, Plant & Equipment/Investment Property	1 541 241	243 197		1 541 241	243 197
Unamortised discount - Interest	691 109	748 041		691 109	748 041
Total Revenue	<u>503 156 141</u>	<u>445 835 302</u>		<u>502 970 288</u>	<u>445 835 302</u>
EXPENDITURE					
Employee related costs	28 125 407 203	114 616 454		125 016 330	114 452 906
Remuneration of Councillors	29 4 588 082	4 302 404		4 588 082	4 302 404
Remuneration of Directors of Knysna Economic Development Agency	30 44 000	13 000		-	-
Debt Impairment	31 15 744 368	11 889 060		17 258 761	12 107 101
Collection Cost	104 918	119 013		104 918	119 013
Depreciation and Amortisation	18 556 806	22 433 143		18 552 084	22 432 543
Impairments	32 123 705	65 262 629		123 705	65 262 629
Repairs and Maintenance	19 924 703	17 162 417		19 924 703	17 157 417
Actuarial losses	4 6 054 852	1 087 056		6 054 852	1 087 056
Finance Charges	33 17 193 358	16 572 366		17 193 358	16 572 366
Unamortised discount - Interest	10 410	12 254		10 410	12 254
Bulk Purchases	34 85 618 177	69 091 562		85 618 177	69 091 562
Contracted services	12 805 847	12 220 210		12 805 847	12 220 210
Grants and Subsidies Paid	35 5 842 781	5 357 472		5 842 781	5 357 472
Other Operating Grant Expenditure	37 882 997	40 535 717		37 882 997	40 535 717
General Expenses	37 53 907 843	53 336 717		53 114 000	53 312 809
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties.	-	33 382 002		-	33 382 002
Loss on disposal of Property,Plant and Equipment/Investment Property	538 450	40 840		538 450	40 840
Total Expenditure	<u>404 348 499</u>	<u>467 434 316</u>		<u>404 629 453</u>	<u>467 446 301</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>98 807 642</u>	<u>(21 599 014)</u>		<u>98 340 835</u>	<u>(21 610 999)</u>

**KNYSNA MUNICIPALITY****CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	<b>Economic Entity</b>		<b>Knysna Municipality</b>	
		2011 R	2010 R	2011 R	2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other -		157 645 386	176 934 231	157 645 386	176 934 231
Exchange Transactions					
Cash receipts from ratepayers, government and other - Non-Exchange Transactions		274 552 531	221 972 644	272 347 395	221 972 644
Cash payments to suppliers and employees		(334 776 365)	(313 617 624)	(333 305 299)	(313 438 122)
Cash receipts and payments on VAT transactions		4 856 639	(6 108 662)	4 856 639	(6 108 662)
Cash generated/(absorbed) by operations	39	102 278 191	79 180 589	101 544 121	79 360 091
Interest Received		5 914 526	5 875 952	5 914 526	5 875 952
Interest Paid		(17 193 358)	(16 572 366)	(17 193 358)	(16 572 366)
<b>Net Cash from Operating Activities</b>		<b>90 999 358</b>	<b>68 484 174</b>	<b>90 265 288</b>	<b>68 663 676</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of Property, Plant and Equipment		(54 241 855)	(99 821 534)	(54 213 212)	(99 782 993)
Proceeds on Disposal of Fixed Assets		1 541 241	243 197	1 541 241	243 197
Movement in Non-current assets held for sale		19 215	-	19 215	-
Increase in Intangible Assets		-	-	-	-
(Increase)/Decrease in Non-current Investments		(1 688 324)	(1 476 125)	(3 202 708)	(1 694 168)
<b>Net Cash from Investing Activities</b>		<b>(54 369 723)</b>	<b>(101 054 462)</b>	<b>(55 855 464)</b>	<b>(101 233 964)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
New loans raised		20 110 799	15 514 814	20 110 799	15 514 814
Loans repaid		(15 328 776)	(11 807 117)	(15 328 776)	(11 807 117)
(Increase)/Decrease in Long-term Receivables		710 251	(70 243)	710 251	(70 243)
Increase in Consumer Deposits		628 518	291 638	628 518	291 638
<b>Net Cash from Financing Activities</b>		<b>6 120 792</b>	<b>3 929 091</b>	<b>6 120 792</b>	<b>3 929 091</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		<b>42 750 426</b>	<b>(28 641 196)</b>	<b>40 530 616</b>	<b>(28 641 196)</b>
Cash and Cash Equivalents at the beginning of the year		16 777 964	45 419 158	16 777 964	45 419 158
Cash and Cash Equivalents at the end of the year	40	59 528 390	16 777 964	57 308 580	16 777 964
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>42 750 426</b>	<b>(28 641 196)</b>	<b>40 530 616</b>	<b>(28 641 196)</b>

**KNYSNA MUNICIPALITY****CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

Economic Entity	Employee Benefits Reserve	Non-Current Provisions Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R	R	R
<b>Balance at 1 JULY 2009</b>			4 402 001	-	244 496 729	248 898 729
Correction of errors - Note 38.11	-	-	-	-	547 015 790	547 015 790
<b>Restated Balance at 1 July 2009</b>	-	-	4 402 001	-	791 512 519	795 914 519
Net Surplus/(Deficit) for the year	-	-	-	-	(21 599 014)	(21 599 014)
Transfer to/from Funding Policy Reserves	-	-	-	8 137 177	(8 137 177)	-
Property, Plant and Equipment purchased	-	-	-	(8 137 177)	8 137 177	-
Transfer from/(to) Housing Development Fund			18 049	-	(18 049)	-
<b>Balance at 30 June 2010</b>	-	-	4 420 049	-	769 895 456	774 315 505
Net Surplus/(Deficit) for the year	-	-	-	-	98 807 642	98 807 642
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	7 762 609	(17 661 430)	-
Property, Plant and Equipment purchased	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Fund	-	-	(1 362 654)	-	1 362 654	-
<b>Balance at 30 June 2011</b>	<b>5 242 645</b>	<b>4 656 176</b>	<b>3 057 395</b>	<b>5 199 523</b>	<b>854 967 408</b>	<b>873 123 147</b>

Knysna Municipality	Employee Benefits Reserve	Non-Current Provisions Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R	R	R
<b>Balance at 1 JULY 2009</b>			4 402 001	-	244 496 729	248 898 729
Correction of errors - Note 38.11	-	-	-	-	547 015 790	547 015 790
<b>Restated Balance at 1 July 2009</b>	-	-	4 402 001	-	791 512 519	795 914 519
Net Surplus/(Deficit) for the year	-	-	-	-	(21 610 999)	(21 610 999)
Transfer to/from Funding Policy Reserves	-	-	-	8 137 177	(8 137 177)	-
Property, Plant and Equipment purchased	-	-	-	(8 137 177)	8 137 177	-
Transfer from/(to) Housing Development Fund			18 049	-	(18 049)	-
<b>Balance at 30 June 2010</b>	-	-	4 420 049	-	769 883 471	774 303 520
Net Surplus/(Deficit) for the year	-	-	-	-	98 340 835	98 340 835
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	7 762 609	(17 661 430)	-
Property, Plant and Equipment purchased	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Fund	-	-	(1 362 654)	-	1 362 654	-
<b>Balance at 30 June 2011</b>	<b>5 242 645</b>	<b>4 656 176</b>	<b>3 057 395</b>	<b>5 199 523</b>	<b>854 488 616</b>	<b>872 644 356</b>

## 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS 6 (AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IAS 12 (AC102)</b>	Income Taxes
<b>SIC – 21 (AC421)</b>	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
<b>SIC – 25 (AC425)</b>	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
<b>SIC – 29 (AC429)</b>	Service Concessions Arrangements – Disclosures
<b>IFRIC 2 (AC435)</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447)</b> <b>IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC449)</b>	Hedges in a Net Investment in a Foreign Operation

The economic entity resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The economic entity resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the economic entity applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the economic entity's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other economic entity has the same geographical setting as the economic entity and that the other economic entity's asset register is considered to be accurate;
- cost as supplied by suppliers.

## **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

## **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## **1.5. CONSOLIDATED FINANCIAL STATEMENTS**

The economic entity's financial statements incorporate the financial statements of the parent entity, Knysna Municipality, and all its municipalities, presented as a single entity and consolidated at the same reporting date as the parent entity.

All inter-entity transactions and balances, unrealized gains and losses within the economic entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the municipality.

Municipal entities are all controlled entities over which the municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities.

## **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

## 1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the economic entity:

Standard	Description	Effective Date
<b>GRAP 6 (Revised)</b>	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the economic entity does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 7 (Revised)</b>	<b>Investments in Associate</b> No significant impact is expected as the economic entity does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 8 (Revised)</b>	<b>Interest in Joint Ventures</b> No significant impact is expected as the economic entity does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 18</b>	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 24</b>	<b>Presentation of Budget Information in Financial Statements</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>1 April 2012</b>
<b>GRAP 25</b>	<b>Employee Benefits</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 103</b>	<b>Heritage Assets</b> No adjustments necessary as the economic entity has no significant heritage assets.	<b>1 April 2012</b>
<b>GRAP 104</b>	<b>Financial Instruments</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 105</b>	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the economic entity does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 106</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the economic entity does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 107</b>	<b>Mergers</b> No significant impact is expected as the economic entity does not participate in such business transactions.	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the economic entity once implemented.

## **1.8. RESERVES**

### **1.8.1 *Capital Replacement Reserve (CRR)***

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

### **1.8.2 *Housing Development Fund***

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the economic entity, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipality subject to the approval of the Provincial MEC responsible for housing.

### **1.8.3 *Employee Benefits Reserve***

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

### **1.8.4 *Non-Current Provisions Reserve***

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non current provision is made until the necessary funding level is obtained.

### **1.8.5 *Revaluations Reserve***

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## **1.9. LEASES**

### **1.9.1 *Economic entity as Lessee***

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the economic entity. Property, plant and equipment or intangible assets subject to finance leases agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the

economic entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to the recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

### **1.9.2 Economic entity as Lessor**

Under a finance lease, the economic entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the economic entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

## **1.10. GOVERNMENT GRANTS AND RECEIPTS**

### **1.10.1 Unspent Conditional Government Grants and Receipts**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met and amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the economic entity until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the economic entity's interest it is recognised as interest earned in the Statement of Financial Performance.

### **1.10.2 Unpaid Conditional Government Grants and Receipts**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

## **1.11. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the economic entity until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the economic entity's interest it is recognised as interest earned in the Statement of Financial Performance.

## **1.12. PROVISIONS**

Provisions are recognised when the economic entity has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The economic entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The economic entity has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The economic entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources exceeding economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

## **1.13. EMPLOYEE BENEFITS**

### **(a) Post Retirement Medical Obligations**

The economic entity provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the economic entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### **(b) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the economic entity. The economic entity's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### **(c) Ex Gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The economic entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the economic entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the

period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(d) Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**(e) Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipalities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**(f) Pension and Retirement Fund Obligations**

The economic entity provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are reflected through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

## 1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The economic entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

## 1.15. PROPERTY, PLANT AND EQUIPMENT

### 1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the economic entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the economic entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the economic entity replaces parts of an asset, it recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.15.3 Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### **1.15.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<b>Asset Class</b>	<b>Asset Sub-grouping</b>	<b>Useful Life (Yrs)</b>
Land None		Indefinite
Buildings None		100
Infrastructure	Sewerage	10 – 100
	Electricity	15 – 100
	Water	12 – 182
	Roads	12 – 102
	Security Measures	5 – 50
Community Assets	None	5 – 100
Leased Asset	None	3 – 6
Heritage None		Indefinite
Other Assets	Bins and Containers	15
	Other	3 – 100
	Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	7 – 50

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.15.5 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.15.6 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)**

The economic entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The economic entity applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

### **1.16. INTANGIBLE ASSETS**

#### **1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The economic entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the economic entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the economic entity has the resources to complete the project; and
- it is probable that the economic entity will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

#### **1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b>Intangible Assets</b>	<b>Years</b>
Computer Software	5
Computer Software Licenses	5

#### **1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.16.5 Application of deemed cost (Directive 7)**

The economic entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic entity applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

## **1.17. INVESTMENT PROPERTY**

### **1.17.1 *Initial Recognition***

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the economic entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the economic entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **1.17.2 *Subsequent Measurement – Fair Value Model***

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### **1.17.3 *De-recognition***

Investment property is de-recognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.17.4 *Application of deemed cost - Directive 7***

The economic entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic entity applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

## **1.18. NON-CURRENT ASSETS HELD FOR SALE**

### **1.18.1 *Initial Recognition***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be

committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **1.18.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.19.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The economic entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the economic entity estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the economic entity estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.19.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Economic entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Economic entity estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less a accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.20. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

## 1.21. INVENTORIES

### 1.21.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 1.21.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs

## 1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

### 1.22.1 *Initial Recognition*

Financial instruments are initially recognised when the economic entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### 1.22.2 *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.22.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Economic entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Economic entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the economic entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.22.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.22.2.3 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to a non-significant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The economic entity categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.22.3 De-recognition of Financial Instruments**

##### **1.22.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the economic entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the economic entity has transferred substantially all the risks and rewards of the asset, or (b) the economic entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the economic entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the economic entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the economic entity could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the economic entity's continuing involvement is the amount of the transferred asset that the economic entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the economic entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.22.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.22.4 *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.23. REVENUE**

#### **1.23.1 *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the economic entity received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the economic entity. Where public contributions have been received but the economic entity has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the economic entity.

After a period of twelve months all unclaimed deposits into the economic entity's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, an economic entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

### **1.23.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the economic entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the economic entity as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### **1.23.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **1.24. TAXATION**

### ***Current tax assets and liabilities***

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

#### **Deferred tax assets and liabilities**

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

#### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### **1.25. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

#### **(a) Related parties include:**

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

#### **(b) Key management personnel include:**

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief

Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### **1.26. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an occasion received from another sphere of government, economic entity or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.27. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act No. 20 of 1998) or is in contravention of the economic entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.29. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the economic entity's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### ***Post Retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### ***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their

ability to make payment s based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### ***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### ***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

#### ***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### ***Provisions and Contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

#### ***Revenue Recognition***

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the economic entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the economic entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods

and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the economic entity is satisfied that recognition of the revenue in the current year is appropriate.

#### ***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

#### ***Provision for Clearing of Alien Vegetation***

The economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from suppliers and is made every second year and adjusted for inflationary in the alternate years.

#### ***Provision for Task Implementation and Back Pay***

The provision at 30 June 2010 for Task Implementation represents the economic entity's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the economic entity's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based on actual remuneration paid versus the requirements of the amended packages.

#### ***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

#### ***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

#### ***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

***Componentisation of infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

***Taxation***

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Economic Entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Economic Entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Economic Entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Economic Entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

**1.31. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.32. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

**1.33. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 2 NET ASSET RESERVES

## RESERVES

Capital Replacement Reserve  
 Employee Benefits Reserve  
 Housing Development Fund  
 Non-Current Provisions Reserve

**Total Net Asset Reserve and Liabilities**

Economic Entity		Knysna Municipality	
2011 R	2010 R	2011 R	2010 R
18 155 740	4 420 049	18 155 740	4 420 049
5 199 523	-	5 199 523	-
5 242 645	-	5 242 645	-
3 057 395	4 420 049	3 057 395	4 420 049
4 656 176	-	4 656 176	-
<b>18 155 740</b>	<b>4 420 049</b>	<b>18 155 740</b>	<b>4 420 049</b>

## 3 LONG TERM LIABILITIES

## Annuity Loans - At amortised cost

Local Registered Stock

Capitalised Lease Liability - At amortised cost

Balance previously reported

Finance lease previously not recognised - Note 38.02

**Less:** Current Portion transferred to Current Liabilities

Annuity Loans - At amortised cost

Capitalised Lease Liability - At amortised cost

**Plus:** Unamortised charges on loans

Balance at beginning of year

Adjustment for the period

**Total Long-term Liabilities - At amortised cost using the effective interest rate method**

The obligations under annuity loans are scheduled below:

## Amounts payable under annuity loans:

Payable within one year

Payable within two to five years

Payable after five years

**Less:** Future finance obligations**Present value of annuity obligations**

The obligations under stock loans are scheduled below:

## Amounts payable under stock loans:

Payable within one year

Payable within two to five years

Payable after five years

**Less:** Future finance obligations**Present value of stock loan obligations**

The obligations under finance leases are scheduled below:

## Amounts payable under finance leases:

Payable within one year

Payable within two to five years

Payable after five years

**Less:** Future finance obligations**Present value of lease obligations**

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases.

Leases are secured by property, plant and equipment - Note 13

**LOCAL REGISTERED STOCK**

Bear interest at rates between 16% and 17% per annum and are repayable over periods of between five and ten years.

**ANNUITY LOANS**

Bear interest at rates between 0% and 14% per annum. Fixed Deposits of R 14,966,107 (2010: R 13,277,790) and Term Deposit of R7,376,373 (2010: R 6,947,323) have been pledged to DBSA as guarantees on external loans taken up. (See notes 17 and 23)

Minimum annuity payments		Minimum annuity payments	
31 626 699	29 905 415	31 626 699	29 905 415
104 389 211	104 712 707	104 389 211	104 712 707
151 359 946	156 567 372	151 359 946	156 567 372
<b>287 375 856</b>	<b>291 185 494</b>	<b>287 375 856</b>	<b>291 185 494</b>
(121 075 393)	(129 380 863)	(121 075 393)	(129 380 863)
<b>166 300 462</b>	<b>161 804 631</b>	<b>166 300 462</b>	<b>161 804 631</b>

Minimum stock loan payments		Minimum stock loan payments	
496 606	496 606	496 606	496 606
3 359 593	3 739 319	3 359 593	3 739 319
1 002 722	1 119 603	1 002 722	1 119 603
<b>4 858 922</b>	<b>5 355 528</b>	<b>4 858 922</b>	<b>5 355 528</b>
(1 825 919)	(2 322 526)	(1 825 919)	(2 322 526)
<b>3 033 003</b>	<b>3 033 002</b>	<b>3 033 003</b>	<b>3 033 002</b>

Minimum lease payments		Minimum lease payments	
2 278 178	1 437 399	2 278 178	1 437 399
2 494 974	2 573 484	2 494 974	2 573 484
-	-	-	-
<b>4 773 152</b>	<b>4 010 882</b>	<b>4 773 152</b>	<b>4 010 882</b>
(564 114)	(683 206)	(564 114)	(683 206)
<b>4 209 038</b>	<b>3 327 676</b>	<b>4 209 038</b>	<b>3 327 676</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4

**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 4.1  
 Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2  
 Long Service Awards - Refer to Note 4.3

**Total Non-current Employee Benefit Liabilities**

	Economic Entity	Knysna Municipality	
	2011 R	2010 R	2011 R
Post Retirement Benefits - Refer to Note 4.1	52 394 826	42 865 838	52 394 826
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	435 212	376 919	435 212
Long Service Awards - Refer to Note 4.3	6 440 375	5 046 733	6 440 375
<b>Total Non-current Employee Benefit Liabilities</b>	<b>59 270 413</b>	<b>48 289 490</b>	<b>59 270 413</b>
			<b>48 289 490</b>

**Post Retirement Medical Benefits**

Balance at beginning of year  
 Contribution for the year  
 Expenditure for the year  
 Actuarial Loss/(Gain)

**Total post retirement benefits 30 June**

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

44 249 234	44 727 097	44 249 234	44 727 097
6 119 223	6 759 201	6 119 223	6 759 201
(1 563 002)	(1 383 087)	(1 563 002)	(1 383 087)
5 184 255	(5 853 977)	5 184 255	(5 853 977)
<b>53 989 710</b>	<b>44 249 234</b>	<b>53 989 710</b>	<b>44 249 234</b>
(1 594 884)	(1 383 396)	(1 594 884)	(1 383 396)
<b>52 394 826</b>	<b>42 865 838</b>	<b>52 394 826</b>	<b>42 865 838</b>

**Ex-Gratia Pensions**

Balance at beginning of year  
 Contribution for the year  
 Expenditure for the year  
 Actuarial Loss/(Gain)

**Total provision 30 June**

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

429 069	613 868	429 069	613 868
34 133	65 112	34 133	65 112
(42 480)	(42 480)	(42 480)	(42 480)
37 579	(207 431)	37 579	(207 431)
<b>458 301</b>	<b>429 069</b>	<b>458 301</b>	<b>429 069</b>
(23 089)	(52 150)	(23 089)	(52 150)
<b>435 212</b>	<b>376 919</b>	<b>435 212</b>	<b>376 919</b>

**Long Service Awards**

Balance at beginning of year  
 Contribution for the year  
 Expenditure for the year  
 Actuarial Loss/(Gain)

**Total long service 30 June**

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

5 466 397	3 962 940	5 466 397	3 962 940
1 129 299	792 940	1 129 299	792 940
(327 188)	(376 539)	(327 188)	(376 539)
833 018	1 087 056	833 018	1 087 056
<b>7 101 526</b>	<b>5 466 397</b>	<b>7 101 526</b>	<b>5 466 397</b>
(661 151)	(419 664)	(661 151)	(419 664)
<b>6 440 375</b>	<b>5 046 733</b>	<b>6 440 375</b>	<b>5 046 733</b>

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

Balance at beginning of year  
 Contribution for the year  
 Expenditure for the year  
 Actuarial Loss/(Gain)

**Total employee benefits 30 June**

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

50 144 700	49 303 905	50 144 700	49 303 905
7 282 655	7 617 253	7 282 655	7 617 253
(1 932 670)	(1 802 105)	(1 932 670)	(1 802 105)
6 054 852	(4 974 353)	6 054 852	(4 974 353)
<b>61 549 537</b>	<b>50 144 700</b>	<b>61 549 537</b>	<b>50 144 700</b>
(2 279 124)	(1 855 210)	(2 279 124)	(1 855 210)
<b>59 270 413</b>	<b>48 289 490</b>	<b>59 270 413</b>	<b>48 289 490</b>

**4.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	638	600	638	600
Continuation members (e.g. Retirees, widows, orphans)	60	60	60	60
<b>Total Members</b>	<b>698</b>	<b>660</b>	<b>698</b>	<b>660</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	28 850 351	23 175 455	28 850 351	23 175 455
Continuation members	25 139 359	21 073 779	25 139 359	21 073 779
<b>Total Liability</b>	<b>53 989 710</b>	<b>44 249 234</b>	<b>53 989 710</b>	<b>44 249 234</b>

**Economic Entity**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R	2007 R
Members	44 727 097	39 936 000	33 685 000
<b>Total Liability</b>	<b>44 727 097</b>	<b>39 936 000</b>	<b>33 685 000</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
 LA Health  
 Hosmed  
 SAMWU Medical Aid; and  
 Key health.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 4 EMPLOYEE BENEFITS (CONTINUED)

The Future-service Cost for the ensuing year is estimated to be R2 594 000, whereas the Interest- Cost for the next year is estimated to be R4 638 300.

	Economic Entity		Knysna Municipality	
	2011 %	2010 %	2011 %	2010 %
Key actuarial assumptions used:				
i) Rate of interest				
Discount rate	8.72%	9.22%	8.72%	9.22%
Health Care Cost Inflation Rate	7.30%	7.27%	7.30%	7.27%
Net Effective Discount Rate	1.32%	1.82%	1.32%	1.82%

## ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

## iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

	2011 R	2010 R	2011 R	2010 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>				
Present value of fund obligations	53 989 710	44 249 234	53 989 710	44 249 234
<b>Net liability/(asset)</b>	<b>53 989 710</b>	<b>44 249 234</b>	<b>53 989 710</b>	<b>44 249 234</b>

## Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	44 249 234	44 727 097	44 249 234	44 727 097
Total expenses	4 556 222	5 376 114	4 556 222	5 376 114
Current service cost	2 101 696	2 043 107	2 101 696	2 043 107
Interest Cost	4 017 527	4 716 094	4 017 527	4 716 094
Benefits Paid	(1 563 002)	(1 383 087)	(1 563 002)	(1 383 087)
Actuarial (gains)/losses	5 184 255	(5 853 977)	5 184 255	(5 853 977)
Present value of fund obligation at the end of the year	53 989 710	44 249 234	53 989 710	44 249 234
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 7	<b>(1 594 884)</b>	<b>(1 383 396)</b>	<b>(1 594 884)</b>	<b>(1 383 396)</b>
<b>Balance at end of year</b>	<b>52 394 826</b>	<b>42 865 838</b>	<b>52 394 826</b>	<b>42 865 838</b>

Economic Entity

## Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	28.850	25.139	28.850	
The effect of movements in the assumptions are as follows:				
Health care inflation 1%	35.773	28.116	35.773	18%
Health care inflation -1%	23.482	22.585	23.482	-15%
Post-retirement mortality -1 year	29.820	26.043	29.820	3%
Average retirement age -1 year	31.369	25.139	31.369	5%
Withdrawal Rate -50%	32.425	25.139	32.425	7%

## 4.2 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 7 (2010 = 7) employees were eligible for Ex-Gratia payments.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R32 882.

Key actuarial assumptions used:	2011 %	2010 %	2011 %	2010 %
i) Rate of interest				
Discount rate	7.63%	9.11%	7.63%	9.11%
General increase rate	5.32%	6.44%	5.32%	6.44%
Net Effective Discount Rate (increasing pensions)	2.20%	2.51%	2.20%	2.51%
Net Effective Discount Rate (level pensions)	7.63%	9.11%	7.63%	9.11%

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4

## EMPLOYEE BENEFITS (CONTINUED)

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations

**Net liability/(asset)****Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year

Total expenses

Interest Cost

Benefits Paid

Actuarial (gains)/losses

**Present value of fund obligation at the end of the year**Less: Transfer of Current Portion to Current Employee Benefits - Note 7**Balance at end of year****Economic Entity**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Members

**Total Liability****Sensitivity Analysis on the Unfunded Accrued Liability****Assumption**

Central assumptions

Pension increase rate

Pension decrease rate

Post retirement mortality

Economic Entity		Knysna Municipality	
2011 R	2010 R	2011 R	2010 R

458 301	429 069	458 301	429 069
<b>458 301</b>	<b>429 069</b>	<b>458 301</b>	<b>429 069</b>
429 069 (8 347)	613 868 22 632	429 069 (8 347)	613 868 22 632
<b>34 133 (42 480)</b>	<b>65 112 (42 480)</b>	<b>34 133 (42 480)</b>	<b>65 112 (42 480)</b>
<b>37 579</b>	<b>(207 431)</b>	<b>37 579</b>	<b>(207 431)</b>
<b>458 301</b>	<b>429 069</b>	<b>458 301</b>	<b>429 069</b>
<b>(23 089)</b>	<b>(52 150)</b>	<b>(23 089)</b>	<b>(52 150)</b>
<b>435 212</b>	<b>376 919</b>	<b>435 212</b>	<b>376 919</b>

2009		2008	
R	R	R	R
613 868	620 565	582 336	582 336
<b>613 868</b>	<b>620 565</b>	<b>582 336</b>	<b>582 336</b>

Change		Liability (R)	
		2009	2008
1%	458 301	493 879	8%
-1%	427 098	427 098	-7%
1 Yrs	478 469	478 469	-4%

**4.3 Long Service Awards**

The Long Service Awards plans are defined benefit plans. As at year end, 627 (2010 = 600) employees were eligible for Long Service Awards.

The Future-service Cost for the ensuing year is estimated to be R904 375, whereas the Interest cost for the next year is estimated to be R532 095.

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	7.85%	9.11%	7.85%	9.11%
General Salary Inflation (long-term)	6.28%	6.44%	6.28%	6.44%
Net Effective Discount Rate applied to salary-related Long Service Awards	1.48%	2.51%	1.48%	2.51%

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations

**Net liability/(asset)**

Economic Entity		Knysna Municipality	
2011 %	2010 %	2011 %	2010 %

7 101 526	5 466 397	7 101 526	5 466 397
<b>7 101 526</b>	<b>5 466 397</b>	<b>7 101 526</b>	<b>5 466 397</b>

Economic Entity		Knysna Municipality	
2011 R	2010 R	2011 R	2010 R

5 466 397 802 111	3 962 940 416 401	5 466 397 802 111	3 962 940 416 401
<b>649 870 (327 188)</b>	<b>383 551 (376 539)</b>	<b>649 870 (327 188)</b>	<b>383 551 (376 539)</b>
<b>833 018</b>	<b>1 087 056</b>	<b>833 018</b>	<b>1 087 056</b>
<b>7 101 526</b>	<b>5 466 397</b>	<b>7 101 526</b>	<b>5 466 397</b>
<b>(661 151)</b>	<b>(419 664)</b>	<b>(661 151)</b>	<b>(419 664)</b>
<b>6 440 375</b>	<b>5 046 733</b>	<b>6 440 375</b>	<b>5 046 733</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year

Total expenses

Current service cost

Interest Cost

Benefits Paid

Actuarial (gains)/losses

**Present value of fund obligation at the end of the year**Less: Transfer of Current Portion to Current Employee Benefits - Note 7**Balance at end of year****Economic Entity**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Members

**Total Liability**

2009		2008	
R m	R m	R m	R m

3.963	3.683	3.168	3.168
<b>3.963</b>	<b>3.683</b>	<b>3.168</b>	<b>3.168</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 4 EMPLOYEE BENEFITS (CONTINUED)

Economic Entity

## Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		7.102	
General salary inflation	1%	7.650	8%
General salary inflation	-1%	6.612	-7%
Average retirement age	- 2 Yrs	6.291	-11%
Average retirement age	+ 2 Yrs	7.913	11%
Withdrawal rates	-50%	8.609	21%

## 5 NON-CURRENT PROVISIONS

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
Provision for Rehabilitation of Landfill-sites	5 987 299	5 702 190	5 987 299	5 702 190
Provision for Clearing of Alien Vegetation	<u>5 987 299</u>	<u>5 702 190</u>	<u>5 987 299</u>	<u>5 702 190</u>

Landfill Sites

Balance at beginning of year	1 010 860	1 010 860	1 010 860	1 010 860
Contribution for the year	2 642 481	-	2 642 481	-
Expenditure for the year	(194 625)	-	(194 625)	-
<b>Total provision 30 June</b>	<b>3 458 716</b>	<b>1 010 860</b>	<b>3 458 716</b>	<b>1 010 860</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 8	<b>(3 458 716)</b>	<b>(1 010 860)</b>	<b>(3 458 716)</b>	<b>(1 010 860)</b>
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Clearing of Alien Vegetation

Balance at beginning of year	5 702 190	6 410 250	5 702 190	6 410 250
Contribution for the year	989 883	(708 060)	989 883	(708 060)
Expenditure for the year	(704 773)	-	(704 773)	-
<b>Balance at end of year</b>	<b>5 987 299</b>	<b>5 702 190</b>	<b>5 987 299</b>	<b>5 702 190</b>

It is expected that the rehabilitation costs of Landfill Sites be incurred in the ensuing financial year, while there is no definite commitment on expenditure for the clearing of backlog alien vegetation.

## 6 CONSUMER DEPOSITS

Electricity	5 773 652	5 287 593	5 773 652	5 287 593
Water	3 329 811	3 187 351	3 329 811	3 187 351
<b>Total Consumer Deposits</b>	<b>9 103 463</b>	<b>8 474 945</b>	<b>9 103 463</b>	<b>8 474 945</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>901 175</b>	<b>1 057 938</b>	<b>901 175</b>	<b>1 057 938</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

## 7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	1 594 884	1 383 396	1 594 884	1 383 396
Current Portion of Ex-Gratia Pension Provisions - Note 4	23 089	52 150	23 089	52 150
Current Portion of Long-Service Provisions - Note 4	661 151	419 664	661 151	419 664
Performance Bonuses	580 803	840 470	580 803	840 470
Staff Leave	6 452 323	5 907 136	6 452 323	5 907 136
Pension Fund Investment Return Shortfall	1 978 444	1 664 780	1 978 444	1 664 780
Workman's Compensation Commissioner	2 863 681	2 166 799	2 863 681	2 166 799
TASK / Backpay Implementation	234 671	728 968	234 671	728 968

**Total Current Employee Benefits**

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Balance at beginning of year	840 470	754 488	840 470	754 488
Contribution to current portion	249 319	505 434	249 319	505 434
Expenditure incurred	(508 986)	(419 451)	(508 986)	(419 451)
<b>Balance at end of year</b>	<b>580 803</b>	<b>840 470</b>	<b>580 803</b>	<b>840 470</b>

Performance bonuses are being paid to the Municipal Manager and Section 57 Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7

**CURRENT EMPLOYEE BENEFITS (CONTINUED)****Staff Leave**

	Economic Entity	Knysna Municipality
	2011 R	2010 R
Balance at beginning of year	5 907 136	5 907 136
Contribution to current portion	1 264 022	1 264 022
Expenditure incurred	(718 835)	(404 383)
Balance at end of year	<b>6 452 323</b>	<b>5 907 136</b>

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

**Pension Fund Investment Return Shortfall**

Balance at beginning of year	1 664 780	1 664 780	1 664 780
Contribution to current portion	313 665	1 664 780	313 665
Balance at end of year	<b>1 978 444</b>	<b>1 664 780</b>	<b>1 978 444</b>

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.

**Workman's Compensation Commissioner**

Balance at beginning of year	2 166 799	2 166 799	2 166 799
Balance previously reported	-	-	-
Workman's compensation expenditure not recognised from 1 July 2006 to 30 June 2009 due to no assessments received from the Commissioner - Note 38.03	-	1 635 420	-
Workman's compensation expenditure not recognised due to no assessments received from the Commissioner - Note 38.03	-	531 379	-
Contribution to current portion	554 198	-	554 198
Penalties incurred	142 683	-	142 683
Balance at end of year	<b>2 863 681</b>	<b>2 166 799</b>	<b>2 863 681</b>

The municipality did not receive any assessments for Workman's Compensation Contributions since 2006 and assessment was now received for the full period. There is no possibility of reimbursement.

**Task / Backpay Implementation**

Balance at beginning of year	728 968	-	728 968
Contribution to current portion	449 633	728 968	449 633
Expenditure incurred	(943 930)	-	(943 930)
Balance at end of year	<b>234 671</b>	<b>728 968</b>	<b>234 671</b>

An agreement was reached on the implementation of a national salary grading structure with backpay to be paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.

8

**PROVISIONS**

Current Portion of Rehabilitation of Landfill-sites - Note 5	3 458 716	1 010 860	3 458 716
<b>Total Provisions</b>	<b>3 458 716</b>	<b>1 010 860</b>	<b>3 458 716</b>

9

**PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade payables	21 808 195	11 526 460	21 808 195
Payments received in advance	4 675 262	4 578 427	4 675 262
Retentions	5 653 095	5 792 263	5 653 095
Hoarding fees	2 455 147	1 803 829	2 455 147
Other payables	1 861 432	2 261 145	1 847 312
Deposits: Other	394 563	361 194	394 563
<b>Total Trade Payables</b>	<b>36 847 695</b>	<b>26 323 318</b>	<b>36 833 575</b>

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

Other deposits include Hall, Builders and Housing Deposits.

10

**UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

<b>Unspent Grants</b>	7 652 883	8 413 996	5 633 600
National Government Grants	3 915 997	5 902 934	5 902 934
Provincial Government Grants	838 624	1 053 801	1 053 801
Other Sources	2 898 262	1 457 261	1 457 261
<b>Less:</b> Unpaid Grants	3 571 365	7 906 385	3 571 365
National Government Grants	3 042 152	5 315 156	3 042 152
Provincial Government Grants	430 526	2 159 208	430 526
Other Sources	98 688	432 021	98 688
<b>Total Conditional Grants and Receipts</b>	<b>4 081 517</b>	<b>507 611</b>	<b>2 062 235</b>

Refer to Note 25 for more information

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
<b>11 UNSPENT PUBLIC CONTRIBUTIONS</b>				
Unspent Grants	4 500	-	4 500	-
Roads-Welbedacht	4 500	-	4 500	-
<b>Total Conditional Grants and Receipts</b>	<b>4 500</b>	<b>-</b>	<b>4 500</b>	<b>-</b>

The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

**12 TAXES**

VAT Payable	(304 461)	-	-	-
VAT Receivable	603 589	5 460 228	603 589	5 460 228
	<b>299 129</b>	<b>5 460 228</b>	<b>603 589</b>	<b>5 460 228</b>

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

## KNYSNA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 13 PROPERTY, PLANT AND EQUIPMENT

Economic Entity

30 JUNE 2011

Reconciliation of Carrying Value	Cost						Accumulated Depreciation					Accumulated Impairments				Carrying Value											
	Opening Balance		Work-in-Progress		Disposals		Transfer		Closing Balance		Opening Balance		Additions		Disposals		Transfer to cost		Closing Balance		Opening Balance		Gains)/Losses		Transfer to cost		Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	256 817 000	823 000	298 415	-	32 951 957	290 890 372	-	-	212 189	-	(212 189)	-	-	-	(33 164 146)	33 164 146	-	-	-	-	-	-	-	-	290 890 372		
Buildings	20 597 000	-	298 415	-	2 645 957	23 541 372	-	-	212 189	-	(212 189)	-	-	-	(2 858 146)	2 858 146	-	-	-	-	-	-	-	-	23 541 372		
Land	236 220 000	823 000	-	-	30 306 000	267 349 000	-	-	-	-	-	-	-	-	-	(30 306 000)	30 306 000	-	-	-	-	-	-	-	-	267 349 000	
Infrastructure	523 446 200	15 017 606	30 227 383	-	-	568 691 188	40 401 240	12 466 496	-	-	-	52 867 736	-	-	-	-	-	-	-	-	-	-	-	-	-	515 823 452	
Sewerage	57 479 664	22 372 397	7 704 828	-	-	87 556 890	4 535 476	1 303 637	-	-	-	5 839 113	-	-	-	-	-	-	-	-	-	-	-	-	-	81 717 777	
Electricity	177 458 554	6 270 317	8 003 377	-	-	191 732 248	8 340 912	4 754 415	-	-	-	13 095 327	-	-	-	-	-	-	-	-	-	-	-	-	-	178 636 921	
Water	177 102 318	(15 045 828)	11 664 177	-	-	173 720 667	10 149 948	3 366 238	-	-	-	13 516 185	-	-	-	-	-	-	-	-	-	-	-	-	-	160 204 482	
Road	110 211 633	1 377 374	2 855 000	-	-	114 444 007	17 028 675	2 912 168	-	-	-	19 940 842	-	-	-	-	-	-	-	-	-	-	-	-	-	94 503 164	
Security Measures	1 194 030	43 346	-	-	-	1 237 376	346 229	130 038	-	-	-	476 267	-	-	-	-	-	-	-	-	-	-	-	-	-	761 109	
Community Assets	22 202 172	17 871	-	-	2 719 362	24 939 405	1 502 590	218 702	-	(134 757)	1 586 536	-	(2 854 119)	2 854 119	-	-	-	-	-	-	-	-	-	-	-	23 352 869	
Lease Assets	5 715 481	2 902 983	-	-	-	8 618 464	2 948 797	1 399 394	-	-	4 348 192	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 270 272	
Office Equipment	5 715 481	2 902 983	-	-	-	8 618 464	2 948 797	1 399 394	-	-	4 348 192	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 270 272	
Heritage Assets	1 558 596	-	-	-	156 000	1 714 596	1 548	1 548	-	-	3 096	-	(156 000)	156 000	-	-	-	-	-	-	-	-	-	-	-	1 711 500	
Other Assets	65 589 008	4 954 597	-	9 250 377	-	61 293 229	23 235 212	4 169 097	8 711 927	-	18 692 382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42 600 847	
Bins & Containers	949 248	-	-	-	-	949 248	174 047	63 283	-	-	237 329	-	-	-	-	-	-	-	-	-	-	-	-	-	-	711 919	
Bulk Containers	949 248	-	-	-	-	949 248	174 047	63 283	-	-	237 329	-	-	-	-	-	-	-	-	-	-	-	-	-	-	711 919	
Other Assets	16 888 749	907 589	-	4 442 725	-	13 353 613	8 815 308	1 371 425	4 406 819	-	5 779 914	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 573 699	
Tip Sites	941 490	-	-	-	-	941 490	423 183	7 953	-	-	431 136	-	-	-	-	-	-	-	-	-	-	-	-	-	-	510 353	
In & Outdoor Sport Facilities	72 418	-	-	-	-	72 418	33 141	3 620	-	-	36 761	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35 657	
Other Plant & Equipment	14 680 527	712 546	-	3 991 458	-	11 401 614	7 486 657	1 228 936	3 956 127	-	4 759 466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 642 148	
Laboratory Equipment	90 673	192 670	-	42	-	283 301	54 442	6 175	40	-	60 576	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222 725	
Equipment Fire	150 894	-	-	-	-	150 894	41 806	14 848	-	-	56 654	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94 240	
Lawnmowers	266 304	-	-	102 337	-	163 967	224 378	32 404	102 327	-	154 455	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 512	
Radio Equipment	686 444	2 373	-	348 888	-	339 929	551 702	77 489	348 325	-	280 865	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59 063	
Office Equipment	15 510 120	1 638 629	-	3 818 702	-	13 330 048	7 578 570	1 303 588	3 810 804	-	5 071 355	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 258 693	
Air Conditioners	1 034 891	31 092	-	-	-	1 065 983	406 680	51 850	-	-	458 530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	607 453	
Computer Hardware	8 385 487	1 077 795	-	2 293 103	-	7 170 179	6 412 193	838 575	2 291 962	-	4 958 806	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 211 372	
Office Machines	1 161 671	77 338	-	461 334	-	777 674	(3 065 011)	102 090	460 636	-	(3 423 557)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 201 231	
Cabinets & Cupboards	4 723 397	436 045	-	986 241	-	4 173 201	3 644 157	292 330	980 444	-	2 956 044	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 217 158	
Other Furniture	204 674	16 360	-	78 023	-	143 010	180 552	18 742	77 763	-	121 532	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21 479	
Vehicles	32 240 891	2 408 380	-	988 951	-	33 660 320	6 667 287	1 430 801	494 305	-	7 603 784	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26 056 536	
Motor Vehicles	1 081 803	-	-	-	-	1 081 803	637 041	94 080	-	-	731 122	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350 682	
Trucks & LDVs	22 563 635	2 390 430	-	978 863	-	23 975 202	1 557 493	1 085 716	492 852	-	2 150 357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21 824 845	
Motor Cycles	350 896	-	-	-	-	350 896	283 061	24 825	-	-	307 886	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43 010	
Motor Cars	3 293 702	-	-	-	-	3 293 702	901 412	109 978	-	-	1 011 391	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 282 311	
Tractors	1 783 491	-	-	-	-	1 783 491	1 160 489	47 128	-	-	1 207 618	-	-	-	-	-	-	-	-	-	-	-	-	-	-	575 873	
Trailers	1 650 149	17 950	-	10 088	-	1 658 011	1 251 422	41 009	1 452	-	1 290 978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	367 033	
Graders	1 517 214	-	-	-	-	1 517 214	876 369	28 064	-	-	904 433	-	-	-	-	-	-	-	-	-	-	-	-	-	-	612 781	
	875 328 456	23 716 057	30 525 798	9 250 377	35 827 319	956 147 253	68 089 388	18 467 427	8 711 927	(346 946)	77 497 941	-	(36 174 265)	36 174 265	-	-	-	-	-	-	-	-	-	-	-	-	878 649 312

## KNYSNA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

<u>Knysna Municipality</u>	38 541	28 643	-	-	67 184	600	4 723	-	-	5 323	-	-	-	-	61 862			
<b>30 JUNE 2011</b>																		
<b>Reconciliation of Carrying Value</b>																		
	<b>Cost</b>																	
	<b>Opening Balance</b>	<b>Additions</b>	<b>Work-in-Progress</b>	<b>Disposals</b>	<b>Transfer</b>	<b>Closing Balance</b>		<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer to cost</b>	<b>Closing Balance</b>		<b>Opening Balance</b>	<b>(Gains)/Losses</b>	<b>Transfer to cost</b>	<b>Closing Balance</b>	<b>Carrying Value</b>
	R	R	R	R	R	R		R	R	R	R	R		R	R	R	R	
<b>Land and Buildings</b>	<b>256 817 000</b>	<b>823 000</b>	<b>298 415</b>	-	<b>32 951 957</b>	<b>290 890 372</b>		-	<b>212 189</b>	-	<b>(212 189)</b>	-	-	<b>(33 164 146)</b>	<b>33 164 146</b>	-	<b>290 890 372</b>	
Buildings	20 597 000	-	298 415	-	2 645 957	23 541 372		-	212 189	-	(212 189)	-	-	(2 858 146)	2 858 146	-	23 541 372	
Land	236 220 000	823 000	-	-	30 306 000	267 349 000		-	-	-	-	-	-	(30 306 000)	30 306 000	-	267 349 000	
<b>Infrastructure</b>	<b>523 446 200</b>	<b>15 017 606</b>	<b>30 227 383</b>	-	-	<b>568 691 188</b>	<b>40 401 240</b>	<b>12 466 496</b>	-	-	<b>52 867 736</b>	-	-	-	-	-	<b>515 823 452</b>	
Sewerage	57 479 664	22 372 397	7 704 828	-	-	87 556 890	4 535 476	1 303 637	-	-	5 839 113	-	-	-	-	-	81 717 777	
Electricity	177 458 554	6 270 317	8 003 377	-	-	191 732 248	8 340 912	4 754 415	-	-	13 095 327	-	-	-	-	-	178 636 921	
Water	177 102 318	(15 045 828)	11 664 177	-	-	173 720 667	10 149 948	3 366 238	-	-	13 516 185	-	-	-	-	-	160 204 482	
Road	110 211 633	1 377 374	2 855 000	-	-	114 444 007	17 028 675	2 912 168	-	-	19 940 842	-	-	-	-	-	94 503 164	
Security Measures	1 194 030	43 346	-	-	-	1 237 376	346 229	130 038	-	-	476 267	-	-	-	-	-	761 109	
<b>Community Assets</b>	<b>22 202 172</b>	<b>17 871</b>	-	-	<b>2 719 362</b>	<b>24 939 405</b>	<b>1 502 590</b>	<b>218 702</b>	-	<b>(134 757)</b>	<b>1 586 536</b>	-	<b>(2 854 119)</b>	<b>2 854 119</b>	-	<b>23 352 869</b>		
<b>Lease Assets</b>	<b>5 715 481</b>	<b>2 902 983</b>	-	-	-	<b>8 618 464</b>	<b>2 948 797</b>	<b>1 399 394</b>	-	-	<b>4 348 192</b>	-	-	-	-	-	<b>4 270 272</b>	
Office Equipment	5 715 481	2 902 983	-	-	-	8 618 464	2 948 797	1 399 394	-	-	4 348 192	-	-	-	-	-	4 270 272	
<b>Heritage Assets</b>	<b>1 558 596</b>	-	-	-	<b>156 000</b>	<b>1 714 596</b>	<b>1 548</b>	<b>1 548</b>	-	-	<b>3 096</b>	-	<b>(156 000)</b>	<b>156 000</b>	-	<b>1 711 500</b>		
<b>Other Assets</b>	<b>65 550 468</b>	<b>4 925 954</b>	-	<b>9 250 377</b>	-	<b>61 226 045</b>	<b>23 234 612</b>	<b>4 164 374</b>	<b>8 711 927</b>	-	<b>18 687 059</b>	-	-	-	-	-	<b>42 538 985</b>	
<b>Bins &amp; Containers</b>	<b>949 248</b>	-	-	-	-	<b>949 248</b>	<b>174 047</b>	<b>63 283</b>	-	-	<b>237 329</b>	-	-	-	-	-	<b>711 919</b>	
Bulk Containers	949 248	-	-	-	-	949 248	174 047	63 283	-	-	237 329	-	-	-	-	-	711 919	
<b>Other Assets</b>	<b>16 888 749</b>	<b>907 589</b>	-	<b>4 442 725</b>	-	<b>13 353 613</b>	<b>8 815 308</b>	<b>1 371 425</b>	<b>4 406 819</b>	-	<b>5 779 914</b>	-	-	-	-	-	<b>7 573 699</b>	
Tip Sites	941 490	-	-	-	-	941 490	423 183	7 953	-	-	431 136	-	-	-	-	-	510 353	
In & Outdoor Sport Facilities	72 418	-	-	-	-	72 418	33 141	3 620	-	-	36 761	-	-	-	-	-	35 657	
Other Plant & Equipment	14 680 527	712 546	-	3 991 458	-	11 401 614	7 486 657	1 228 936	3 956 127	-	4 759 466	-	-	-	-	-	6 642 148	
Laboratory Equipment	90 673	192 670	-	42	-	283 301	54 442	6 175	40	-	60 576	-	-	-	-	-	222 725	
Equipment Fire	150 894	-	-	-	-	150 894	41 806	14 848	-	-	56 654	-	-	-	-	-	94 240	
Lawnmowers	266 304	-	-	102 337	-	163 967	224 378	32 404	102 327	-	154 455	-	-	-	-	-	9 512	
Radio Equipment	686 444	2 373	-	348 888	-	339 929	551 702	77 489	348 325	-	280 865	-	-	-	-	-	59 063	
<b>Office Equipment</b>	<b>15 471 579</b>	<b>1 609 986</b>	-	<b>3 818 702</b>	-	<b>13 262 863</b>	<b>7 577 970</b>	<b>1 298 866</b>	<b>3 810 804</b>	-	<b>5 066 032</b>	-	-	-	-	-	<b>8 196 831</b>	
Air Conditioners	1 034 891	31 092	-	-	-	1 065 983	406 680	51 850	-	-	458 530	-	-	-	-	-	607 453	
Computer Hardware	8 385 487	1 065 399	-	2 293 103	-	7 157 783	6 412 193	837 988	2 291 962	-	4 958 219	-	-	-	-	-	2 199 564	
Office Machines	1 161 671	77 338	-	461 334	-	777 674	(3 065 011)	102 090	460 636	-	(3 423 557)	-	-	-	-	-	4 201 231	
Cabinets & Cupboards	4 684 856	419 797	-	986 241	-	4 118 413	3 643 557	288 195	980 444	-	2 951 309	-	-	-	-	-	1 167 104	
Other Furniture	204 674	16 360	-	78 023	-	143 010	180 552	18 742	77 763	-	121 532	-	-	-	-	-	21 479	
<b>Vehicles</b>	<b>32 240 891</b>	<b>2 408 380</b>	-	<b>988 951</b>	-	<b>33 660 320</b>	<b>6 667 287</b>	<b>1 430 801</b>	<b>494 305</b>	-	<b>7 603 784</b>	-	-	-	-	-	<b>26 056 536</b>	
Motor Vehicles	1 081 803	-	-	-	-	1 081 803	637 041	94 080	-	-	731 122	-	-	-	-	-	350 682	
Trucks & LDVs	22 563 635	2 390 430	-	978 863	-	23 975 202	1 557 493	1 085 716	492 852	-	2 150 357	-	-	-	-	-	21 824 845	
Motor Cycles	350 896	-	-	-	-	350 896	283 061	24 825	-	-	307 886	-	-	-	-	-	43 010	
Motor Cars	3 293 702	-	-	-	-	3 293 702	901 412	109 978	-	-	1 011 391	-	-	-	-	-	2 282 311	
Tractors	1 783 491	-	-	-	-	1 783 491	1 160 489	47 128	-	-	1 207 618	-	-	-	-	-	575 873	
Trailers	1 650 149	17 950	-	10 088	-	1 658 011	1 251 422	41 009	1 452	-	1 290 978	-	-	-	-	-	367 033	
Graders	1 517 214	-	-	-	-	1 517 214	876 369	28 064	-	-	904 433	-	-	-	-	-	612 781	
	<b>875 289 915</b>	<b>23 687 414</b>	<b>30 525 798</b>	<b>9 250 377</b>	<b>35 827 319</b>	<b>956 080 069</b>	<b>68 088 788</b>	<b>18 462 704</b>	<b>8 711 927</b>	<b>(346 946)</b>	<b>77 492 619</b>	-	<b>(36 174 265)</b>	<b>36 174 265</b>	-	<b>878 587 450</b>		

## KNYSNA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 13 PROPERTY, PLANT AND EQUIPMENT

Economic Entity

30 JUNE 2010

Reconciliation of Carrying Value	Cost										Accumulated Depreciation and Impairments								Carrying Value	
	Opening Balance		B/F Adjustments	Opening Balance Trf		Work-in-Progress		Disposals	Transfer	Closing Balance	Opening Balance		B/F Adjustments	Opening Balance Trf to Cost		Additions		Disposals	Transfer to cost	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	178 015 697	163 373 783	(26 257 044)	1 818 085	-	-	(60 133 521)	256 817 000	23 331 408	2 925 636	(26 257 044)	60 133 521	-	(60 133 521)	-	256 817 000				
Buildings Land	160 008 795	(134 403 316)	(1 998 044)	1 818 085	-	-	(4 828 521)	20 597 000	23 331 408	(21 333 364)	(1 998 044)	4 828 521	-	(4 828 521)	-	20 597 000				
Infrastructure	18 006 902	297 777 098	(24 259 000)	-	-	-	(55 305 000)	236 220 000	-	24 259 000	(24 259 000)	55 305 000	-	(55 305 000)	-	236 220 000				
Sewerage	375 024 879	56 765 607	-	52 417 012	39 238 702	-	-	523 446 200	151 831 822	(128 209 877)	-	16 779 294	-	-	-	40 401 240	483 044 960			
Electricity	50 564 320	6 555 236	-	360 108	-	-	-	57 479 664	19 583 314	(16 873 341)	-	1 825 504	-	-	-	4 535 476	52 944 188			
Water	104 912 412	54 351 136	-	16 276 827	1 918 180	-	-	177 458 554	35 301 950	(31 899 429)	-	4 938 391	-	-	-	8 340 912	169 117 642			
Road	123 047 478	(6 617 710)	-	23 496 238	37 176 312	-	-	177 102 318	43 327 111	(37 253 146)	-	4 075 982	-	-	-	10 149 948	166 952 370			
Security Measures	93 589 234	5 663 764	-	10 814 424	144 210	-	-	110 211 633	52 165 579	(40 755 291)	-	5 618 387	-	-	-	17 028 675	93 182 958			
Community Assets	2 911 435	(3 186 819)	-	1 469 414	-	-	-	1 194 030	1 453 868	(1 428 670)	-	321 030	-	-	-	346 229	847 801			
Lease Assets	22 943 292	4 421 775	(1 972 832)	1 073 708	250 121	-	(4 513 891)	22 202 172	7 106 821	(4 475 234)	(1 972 832)	5 357 727	-	(4 513 891)	1 502 590	20 699 581				
Office Equipment	5 292 635	(946 900)	-	1 502 746	-	133 000	-	5 715 481	3 022 751	(943 367)	-	1 001 430	132 017	-	2 948 797	2 766 683				
Heritage Assets	5 292 635	(946 900)	-	1 502 746	-	133 000	-	5 715 481	3 022 751	(943 367)	-	1 001 430	132 017	-	2 948 797	2 766 683				
Other Assets	742 562	1 206 735	(123 000)	14 250	-	-	(281 952)	1 558 596	148 399	(23 851)	(123 000)	281 952	-	(281 952)	1 548	1 557 048				
Bins & Containers	61 156 298	1 013 544	-	3 506 910	-	87 743	-	65 589 008	35 945 961	(16 561 208)	-	3 898 345	47 886	-	23 235 212	42 353 796				
Bulk Containers	397 578	-	-	551 670	-	-	-	949 248	324 599	(246 304)	-	95 751	-	-	174 047	775 202				
Other Assets	397 578	-	-	551 670	-	-	-	949 248	324 599	(246 304)	-	95 751	-	-	174 047	775 202				
Tip Sites	15 515 819	876 161	-	529 355	-	32 586	-	16 888 749	10 001 153	(2 892 691)	-	1 252 619	16 803	-	8 344 277	8 544 473				
In & Outdoor Sport Facilities	941 489	0	-	-	-	-	-	941 490	385 784	(335 680)	-	36 087	-	-	86 191	855 299				
Other Plant & Equipment	42 440	(0)	-	29 979	-	-	-	72 418	28 521	(17 553)	-	4 458	-	-	15 426	56 992				
Laboratory Equipment	13 538 565	876 161	-	296 181	-	30 381	-	14 680 527	8 840 818	(2 304 106)	-	1 092 334	14 599	-	7 614 447	7 066 079				
Equipment Fire	90 673	-	-	-	-	-	-	90 673	39 476	(29 936)	-	14 441	-	-	23 981	66 693				
Lawnmowers	91 948	(0)	-	58 946	-	-	-	150 894	24 204	(17 944)	-	16 984	-	-	23 244	127 650				
Radio Equipment	203 765	0	-	62 539	-	-	-	266 304	171 100	(89 324)	-	51 409	-	-	133 185	133 119				
Office Equipment	606 939	0	-	81 710	-	2 205	-	686 444	511 251	(98 148)	-	36 905	2 204	-	447 803	238 640				
Air Conditioners	13 679 135	141 822	-	1 740 548	-	51 385	-	15 510 120	10 241 181	(3 840 852)	-	1 209 324	31 083	-	7 578 570	7 931 550				
Computer Hardware	645 563	(0)	-	389 329	-	-	-	1 034 891	321 015	(253 891)	-	82 660	-	-	149 783	885 108				
Office Machines	7 488 170	112 602	-	812 928	-	28 214	-	8 385 487	5 666 294	(1 846 238)	-	705 859	14 375	-	4 511 540	3 873 946				
Cabinets & Cupboards	1 054 431	371	-	127 005	-	20 137	-	1 161 671	780 462	(209 836)	-	84 704	13 710	-	641 620	520 050				
Other Furniture	4 306 960	8 185	-	411 286	-	3 034	-	4 723 397	3 294 970	(1 448 424)	-	334 064	2 998	-	2 177 612	2 545 786				
Vehicles	184 010	20 664	-	-	-	-	-	204 674	178 440	(82 463)	-	2 038	-	-	98 014	106 660				
Motor Vehicles	31 563 765	(4 439)	-	685 337	-	3 772	-	32 240 891	15 379 028	(9 581 361)	-	1 340 651	-	-	7 138 318	25 102 572				
Trucks & LDVs	2 213 708	(1 131 904)	-	-	-	-	-	1 081 803	529 828	(156 702)	-	53 514	-	-	426 641	655 163				
Motor Cycles	22 370 034	(183 002)	-	376 603	-	-	-	22 563 635	10 956 560	(6 824 942)	-	997 578	-	-	5 129 196	17 434 440				
Motor Cars	318 871	(0)	-	32 026	-	-	-	350 896	240 687	(162 785)	-	21 151	-	-	99 053	251 844				
Tractors	1 283 126	2 010 576	-	-	-	-	-	3 293 702	753 777	(258 110)	-	73 691	-	-	569 358	2 724 344				
Trailers	1 881 491	(98 000)	-	-	-	-	-	1 783 491	1 018 967	(735 069)	-	70 639	-	-	354 538	1 428 953				
Graders	1 520 716	57 299	-	72 134	-	-	-	1 650 149	1 149 290	(816 549)	-	50 978	-	-	383 719	1 266 430				
	1 975 820	(659 409)	-	204 574	-	3 772	-	1 517 214	729 919	(627 204)	-	73 099	-	-	175 814	1 341 400				
	643 175 362	225 834 544	(28 352 876)	60 332 711	39 488 823	220 743	(64 929 364)	875 328 456	221 387 163	(147 287 901)	(28 352 876)	87 452 269	179 903	(64 929 364)	68 089 388	807 239 068				

## KNYSNA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 13 PROPERTY, PLANT AND EQUIPMENT

Knysna Municipality

30 JUNE 2010

## Reconciliation of Carrying Value

	Cost								Accumulated Depreciation and Impairments								Carrying Value																
	Opening Balance		B/F Adjustments		Opening Balance Trf		Additions		Work-in-Progress		Disposals		Transfer		Closing Balance			Opening Balance		B/F Adjustments		Balance Trf to Cost		Additions		Disposals		Transfer to cost		Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		R	R	R	R	R	R	R	R	R	R	R	R				
Land and Buildings	178 015 697	163 373 783	(26 257 044)	1 818 085	-	-	(60 133 521)	256 817 000	23 331 408	2 925 636	(26 257 044)	60 133 521	-	(60 133 521)	-	256 817 000																	
Buildings Land	160 008 795	(134 403 316)	(1 998 044)	1 818 085	-	-	(4 828 521)	20 597 000	23 331 408	(21 333 364)	(1 998 044)	4 828 521	-	(4 828 521)	-	20 597 000																	
18 006 902	297 777 098	(24 259 000)	-	-	-	(55 305 000)	236 220 000	-	24 259 000	(24 259 000)	55 305 000	-	(55 305 000)	-	236 220 000																		
Infrastructure	375 024 879	56 765 607	-	52 417 012	39 238 702	-	-	523 446 200	151 831 822	(128 209 877)	-	16 779 294	-	-	-	40 401 240	483 044 960																
Sewerage	50 564 320	6 555 236	-	360 108	-	-	57 479 664	19 583 314	(16 873 341)	1 825 504	-	-	-	-	4 535 476	52 944 188																	
Electricity	104 912 412	54 351 136	-	16 276 827	1 918 180	-	177 458 554	35 301 950	(31 899 429)	4 938 391	-	-	-	-	8 340 912	169 117 642																	
Water	123 047 478	(6 617 710)	-	23 496 238	37 176 312	-	177 102 318	43 327 111	(37 253 146)	4 075 982	-	-	-	-	10 149 948	166 952 370																	
Road	93 589 234	5 663 764	-	10 814 424	144 210	-	110 211 633	52 165 579	(40 755 291)	5 618 387	-	-	-	-	17 028 675	93 182 958																	
Security Measures	2 911 435	(3 186 819)	-	1 469 414	-	-	1 194 030	1 453 868	(1 428 670)	321 030	-	-	-	-	346 229	847 801																	
Community Assets	22 943 292	4 421 775	(1 972 832)	1 073 708	250 121	-	(4 513 891)	22 202 172	7 106 821	(4 475 234)	(1 972 832)	5 357 727	-	-	(4 513 891)	1 502 590	20 699 581																
Lease Assets	5 292 635	(946 900)	-	1 502 746	-	133 000	-	5 715 481	3 022 751	(943 367)	-	1 001 430	132 017	-	-	2 948 797	2 766 683																
Office Equipment	5 292 635	(946 900)	-	1 502 746	-	133 000	-	5 715 481	3 022 751	(943 367)	-	1 001 430	132 017	-	-	2 948 797	2 766 683																
Heritage Assets	742 562	1 206 735	(123 000)	14 250	-	-	(281 952)	1 558 596	148 399	(23 851)	(123 000)	281 952	-	-	(281 952)	1 548	1 557 048																
Other Assets	61 156 298	1 013 544	-	3 468 369	-	87 743	-	65 550 468	35 945 961	(16 561 208)	-	3 897 745	47 886	-	-	23 234 612	42 315 855																
Bins & Containers	397 578	-	-	551 670	-	-	949 248	324 599	(246 304)	-	95 751	-	-	-	174 047	775 202																	
Bulk Containers	397 578	-	-	551 670	-	-	949 248	324 599	(246 304)	-	95 751	-	-	-	174 047	775 202																	
Other Assets	15 515 819	876 161	-	529 355	-	32 586	-	16 888 749	10 001 153	(2 892 691)	-	1 252 619	16 803	-	-	8 344 277	8 544 473																
Tip Sites	941 489	0	-	-	-	-	941 490	385 784	(335 680)	36 087	-	-	-	-	86 191	855 299																	
In & Outdoor Sport Facilities	42 440	(0)	-	29 979	-	-	72 418	28 521	(17 553)	4 458	-	-	-	-	15 426	56 992																	
Other Plant & Equipment	13 538 565	876 161	-	296 181	-	30 381	-	14 680 527	8 840 818	(2 304 106)	1 092 334	14 599	-	-	7 614 447	7 066 079																	
Laboratory Equipment	90 673	-	-	-	-	-	90 673	39 476	(29 936)	14 441	-	-	-	-	23 981	66 693																	
Equipment Fire	91 948	(0)	-	58 946	-	-	150 894	24 204	(17 944)	16 984	-	-	-	-	23 244	127 650																	
Lawnmowers	203 765	0	-	62 539	-	-	266 304	171 100	(89 324)	51 409	-	-	-	-	133 185	133 119																	
Radio Equipment	606 939	0	-	81 710	-	2 205	-	686 444	511 251	(98 148)	36 905	2 038	-	-	447 803	238 640																	
Office Equipment	13 679 135	141 822	-	1 702 007	-	51 385	-	15 471 579	10 241 181	(3 840 852)	-	1 208 724	31 083	-	-	7 577 971	7 893 609																
Air Conditioners	645 563	(0)	-	389 329	-	-	1 034 891	321 015	(253 891)	82 660	-	-	-	-	149 783	885 108																	
Computer Hardware	7 488 170	112 602	-	812 928	-	28 214	-	8 395 487	5 666 294	(1 846 238)	705 859	14 375	-	-	4 511 540	3 873 946																	
Office Machines	1 054 431	371	-	127 005	-	20 137	-	1 161 671	780 462	(209 836)	84 704	13 710	-	-	641 620	520 050																	
Cabinets & Cupboards	4 306 960	8 185	-	372 745	-	3 034	-	4 684 856	3 294 970	(1 448 424)	333 464	2 998	-	-	2 177 012	2 507 844																	
Other Furniture	184 010	20 664	-	-	-	-	-	204 674	178 440	(82 463)	2 038	-	-	-	98 014	106 660																	
Vehicles	31 563 765	(4 439)	-	685 337	-	3 772	-	32 240 891	15 379 028	(9 581 361)	-	1 340 651	-	-	-	7 138 318	25 102 572																
Motor Vehicles	2 213 708	(1 131 904)	-	-	-	-	-	1 081 803	529 828	(156 702)	53 514	-	-	-	426 641	655 163																	
Trucks & LDVs	22 370 034	(183 002)	-	376 603	-	-	-	22 563 635	10 956 560	(6 824 942)	997 578	-	-	-	5 129 196	17 434 440																	
Motor Cycles	318 871	(0)	-	32 026	-	-	-	350 896	240 687	(162 785)	21 151	-	-	-	99 053	251 844																	
Motor Cars	1 283 126	2 010 576	-	-	-	-	-	3 293 702	753 777	(258 110)	73 691	-	-	-	569 358	2 724 344																	
Tractors	1 881 491	(98 000)	-	-	-	-	-	1 783 491	1 018 967	(735 069)	70 639	-	-	-	354 538	1 428 953																	
Trailers	1 520 716	57 299	-	72 134	-	-	-	1 650 149	1 149 290	(816 549)	50 978	-	-	-	383 719	1 266 430																	
Graders	1 975 820	(659 409)	-	204 574	-	3 772	-	1 517 214	729 919	(627 204)	73 099	-	-	-	175 814	1 341 400																	
	643 175 362	225 834 544	(28 352 876)	60 294 170	39 488 823	220 743	(64 929 364)	875 289 915	221 387 163	(147 287 901)	(28 352 876)	87 451 669	179 903	(64 929 364)	68 088 788	807 201 127																	

## GRAP 17 - Property, Plant and Equipment

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Changes to Cost / Fair Value	225 834 544
Changes to Accumulated Depreciation	147 287 901
Opening balance revaluation adjustments	(28 352 876)
Total not previously recognised now restated retrospectively	344 769 56

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fully Depreciated assets still in use were as follows:

Cost

Land and Buildings  
Infrastructure  
Community Assets  
Other

Accumulated depreciation

Land and Buildings  
Infrastructure  
Community Assets  
Other

Carrying value

The municipality reviewed the original useful lives of all Property, Plant and Equipment as part of the implementation of Directive 4, and restated the results of the reviews retrospectively as correction of errors, since the original useful lives allocated were not correct.

Carrying value of assets retired from active use and held for disposal:

Carrying value of temporarily idle property plant and equipment:

Assets pledged as security:

Third party payments received for losses incurred:

Payments received (Excluding VAT)

Economic Entity		Knysna Municipality	
2011 R	2010 R	2011 R	2010 R

-	<b>68 598 878</b>	-	<b>68 598 878</b>
-	277 059	-	277 059
-	49 190 862	-	49 190 862
-	648 872	-	648 872
-	18 482 086	-	18 482 086
-	<b>68 590 322</b>	-	<b>68 590 322</b>
-	277 048	-	277 048
-	49 190 333	-	49 190 333
-	648 853	-	648 853
-	18 474 089	-	18 474 089
-	<b>8 556</b>	-	<b>8 556</b>

## 14 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale at beginning of year - at book value  
Additions for the year

19 215 (19 215)	19 209 6	19 215 (19 215)	19 209 6
-	19 215	-	19 215
-	<b>19 215</b>	-	<b>19 215</b>

Non-current assets held for sale at end of year - at book value

## 15 INVESTMENT PROPERTY

Net Carrying amount at 1 July

At Fair Value

Balance previously reported - At cost  
Correction of error - Note 38.1

Accumulated depreciation

Balance previously reported - Accumulated depreciation  
Correction of error - Note 38.1

Depreciation for the year

Balance previously reported - Depreciation for the year  
Correction of error - Note 38.1

Fair value adjustments

Balance previously reported - Fair value adjustments  
Correction of error - Note 38.1

Net Carrying amount at 30 June

Fair Value  
Accumulated Depreciation

<b>142 103 000</b>	<b>175 485 002</b>	<b>142 103 000</b>	<b>175 485 002</b>
142 103 000	175 485 002	142 103 000	175 485 002
-	196 696 175 288 306	-	196 696 175 288 306
-	(88 108) 88 108	-	(88 108) 88 108
-	-	-	-
-	(6 365) 6 365	-	(6 365) 6 365
18 338 000	(33 382 002)	18 338 000	(33 382 002)
-	-	-	-
<b>160 441 000</b>	<b>142 103 000</b>	<b>160 441 000</b>	<b>142 103 000</b>
160 441 000	142 103 000	160 441 000	142 103 000

## GRAP 16 - Investment Properties

The municipality did not measure the Investment Properties in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Investment Properties at fair value  
Accumulated depreciation on Investment Properties  
Fair value adjustments

Total not previously recognised now restated retrospectively

Revenue derived from the rental of investment property

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Fair Value of Investment properties were determined by a qualified valuer based on current market prices.

-	175 288 306	-	175 288 306
-	94 473	-	94 473
-	(33 382 002)	-	(33 382 002)
-	<b>142 000 776</b>	-	<b>142 000 776</b>

2 338 093	634 211	2 338 093	634 211
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## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**INTANGIBLE ASSETS****Computer Software****Net Carrying amount at 1 July**

Cost - Restated 2010 - Note 38.09

Accumulated Amortisation - Restated 2010 - Note 38.09

Rounding adjustments

Amortisation

**Net Carrying amount at 30 June**

Cost

Accumulated Amortisation

Remaining AmortisationPeriodDescription

Computer software

No intangible assets were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

**Fully amortised intangible assets still in use were as follows:**

Cost

Land and Buildings

Accumulated depreciation

Land and Buildings

Carrying value

	Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
<b>Net Carrying amount at 1 July</b>	<b>177 516</b>	<b>411 575</b>	<b>177 516</b>	<b>411 575</b>
Cost - Restated 2010 - Note 38.09	2 315 638 (2 138 123)	2 313 600 (1 902 025)	2 315 638 (2 138 123)	2 313 600 (1 902 025)
Accumulated Amortisation - Restated 2010 - Note 38.09	(3) (89 380)	19 (234 079)	(3) (89 380)	19 (234 079)
<b>Rounding adjustments</b>	<b>88 133</b>	<b>177 516</b>	<b>88 133</b>	<b>177 516</b>
Amortisation	2 315 638 (2 227 505)	2 315 638 (2 138 123)	2 315 638 (2 227 505)	2 315 638 (2 138 123)

**NON-CURRENT INVESTMENTS****Unlisted**Investment in Entity - Knysna Economic Development Agency  
Other Fixed Deposits - at fair value

Less: Provision for impairment - Knysna Economic Development Agency

**Total Non-Current Investments****Reconciliation of Provision for Bad Debts**

Balance at beginning of year

Contribution/(Reduction) to provision

**Balance at end of year**

The average interest rate was 6,26% (2010: 8,04%).

Investments made to serve as collateral security for staff housing loans:

-	<b>1 118 710</b>	-	<b>1 118 710</b>
-	1 118 710	-	1 118 710
-	1 118 672	-	1 118 672
-	1 118 672	-	1 118 672
-	<b>38</b>	-	<b>38</b>

<b>14 983 550</b>	<b>13 295 234</b>	<b>16 715 984</b>	<b>13 513 276</b>
-	-	1 732 435 14 983 550 (1 732 434)	218 042 13 295 234 (218 041)
14 983 550	13 295 234	14 983 551	13 295 235

-	-	218 041 1 514 393 1 732 434	- 218 041 1 732 434
-	-	1 732 434	218 041

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**LONG TERM RECEIVABLES**

Land Sales - Morcana Investments

Staff Housing loans - At amortised cost

Old Age Homes / Creche - At amortised cost

Sundry deposits - At amortised cost

194 920	186 062	194 920	186 062
16 025	37 061	16 025	37 061
863 778	1 561 851	863 778	1 561 851
6 800	6 800	6 800	6 800
<b>1 081 523</b>	<b>1 791 774</b>	<b>1 081 523</b>	<b>1 791 774</b>

**Less: Unamortised Discount on Loans**

Balance at beginning of year

Adjustment for the period

(5 230)	(8 312)	(5 230)	(8 312)
(8 312) 3 082	(11 677) 3 365	(8 312) 3 082	(11 677) 3 365

**Less: Current portion transferred to current receivables**

Staff Loans - At amortised cost

Old Age Homes - At amortised cost

(62 931)	(118 433)	(62 931)	(118 433)
(4 799) (58 132)	(18 047) (100 386)	(4 799) (58 132)	(18 047) (100 386)
1 013 362	1 665 029	1 013 362	1 665 029

**Less: Provision for Impairment of Long Term Receivables****Total Long Term Receivables**

(546 086)	(1 202 511)	(546 086)	(1 202 511)
<b>467 276</b>	<b>462 518</b>	<b>467 276</b>	<b>462 518</b>

The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**LONG TERM RECEIVABLES (CONTINUED)**

The total amount of the provision for doubtful debts created is R 546 086 (2010: R 1 202 511) and the following loans and receivables are included therein:

	Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
<b>Old Age Homes / Creche - At amortised cost</b>	546 086	1 202 511	546 086	1 202 511
<b>Total Provision for Bad Debts on Other</b>	<b>546 086</b>	<b>1 202 511</b>	<b>546 086</b>	<b>1 202 511</b>
<b>Reconciliation of Provision for Bad Debts</b>				
Balance at beginning of year	1 202 511	1 260 666	1 202 511	1 260 666
Contribution/(Reduction) to provision	(23 259)	(58 155)	(23 259)	(58 155)
Bad Debts written off	(633 166)	-	(633 166)	-
<b>Balance at end of year</b>	<b>546 086</b>	<b>1 202 511</b>	<b>546 086</b>	<b>1 202 511</b>

**STAFF HOUSING LOANS**

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable. Interest is being charged at 4% to 13.5% per annum and the carrying value equals the discounted amount using the effective interest rate.

**OLD AGE HOMES**

New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.

**Bad Debts written off : Vermont Old Age Home**

At its meeting of 30 September 2010 Council resolved to write off all arrears relating to the loan for Vermont Old Age Home. The R 633 166 relates to the capital balance of the loan owed to the Housing Development Fund which was written off. The loan was provided by Provincial Government and transferred to Council in the mid 1990's as part of the creation of the Housing Development Fund.

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**INVENTORY**

Consumable Stores - Stationery and materials - At cost	745 640	589 226	745 640	589 226
Maintenance Materials - At cost	1 006 878	728 575	1 006 878	728 575
Water - At purification cost	469 113	363 718	469 113	363 718
Spare parts - At cost	1 616	3 085	1 616	3 085
<b>Total Inventory</b>	<b>2 223 246</b>	<b>1 684 605</b>	<b>2 223 246</b>	<b>1 684 605</b>
Consumable stores materials written down due to losses as identified during the annual stores counts.	69 742	9 433	69 742	9 433
Consumable stores materials surpluses identified during the annual stores counts.	56 614	23 247	56 614	23 247
Inventory recognised as an expense during the year	15 629 506	13 726 956	15 629 506	13 726 956
Dormant and slow moving inventory at year-end	118 196	162 235	118 196	162 235

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**RECEIVABLES FROM EXCHANGE TRANSACTIONS****Economic Entity**

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
<b>As at 30 June 2011</b>			
Electricity	21 933 157	1 980 302	19 952 854
Water	22 894 742	12 033 697	10 861 044
Rentals	1 954 050	1 602 970	351 079
Refuse	10 066 788	5 057 588	5 009 201
Sewerage	9 196 343	4 640 752	4 555 591
Other Arrears	4 688 553	2 356 027	2 332 526
<b>Total : Trade receivables from exchange transactions</b>	<b>70 733 632</b>	<b>27 671 336</b>	<b>43 062 296</b>
<b>As at 30 June 2010</b>			
Electricity	19 239 693	1 218 798	18 020 896
Water	17 546 792	8 205 376	9 341 416
Rentals	3 188 456	2 210 825	977 631
Balance previously reported	2 967 715	2 210 825	756 890
Correction of error - Note 38.01	220 741	-	220 741
Refuse	8 656 068	5 461 843	3 194 225
Sewerage	8 206 900	4 430 925	3 775 975
Other Arrears	4 315 998	-	4 315 998
<b>Total : Trade receivables from exchange transactions</b>	<b>61 153 907</b>	<b>21 527 766</b>	<b>39 626 141</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 20 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Knysna Municipality

	GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
<b>As at 30 June 2011</b>			
Electricity	21 933 157	1 980 302	19 952 854
Water	22 894 742	12 033 697	10 861 044
Rentals	1 954 050	1 602 970	351 079
Refuse	10 066 788	5 057 588	5 009 201
Sewerage	9 196 343	4 640 752	4 555 591
Other Arrears	4 688 553	2 356 027	2 332 526
<b>Total : Trade receivables from exchange transactions</b>	<b>70 733 632</b>	<b>27 671 336</b>	<b>43 062 296</b>
<b>As at 30 June 2010</b>			
Electricity	19 239 693	1 218 798	18 020 896
Water	17 546 792	8 205 376	9 341 416
Rentals	3 188 456	2 210 825	977 631
Balance previously reported	2 967 715	2 210 825	756 890
Correction of error - Note 38.01	220 741	-	220 741
Refuse	8 656 068	5 461 843	3 194 225
Sewerage	8 206 900	4 430 925	3 775 975
Other Arrears	4 315 998	-	4 315 998
<b>Total : Trade receivables from exchange transactions</b>	<b>61 153 907</b>	<b>21 527 766</b>	<b>39 626 141</b>
The fair value of other receivables approximate their carrying value.			
<b>Economic Entity</b>			
<b>Ageing of Receivables from Exchange Transactions</b>		<b>2011 R</b>	<b>2010 R</b>
<b>Knysna Municipality</b>		<b>2011 R</b>	<b>2010 R</b>
<b><u>Electricity: Ageing</u></b>			
Current (0 - 30 days)	17 314 127	11 981 987	17 314 127
31 - 60 Days	1 038 744	2 699 038	1 038 744
61 - 90 Days	708 317	832 472	708 317
+ 90 Days	2 871 968	3 726 195	2 871 968
<b>Total</b>	<b>21 933 157</b>	<b>19 239 693</b>	<b>21 933 157</b>
<b><u>Water: Ageing</u></b>			
Current (0 - 30 days)	5 011 782	2 022 861	5 011 782
31 - 60 Days	1 336 163	1 534 215	1 336 163
61 - 90 Days	4 017 171	912 181	4 017 171
+ 90 Days	12 529 626	13 077 535	12 529 626
<b>Total</b>	<b>22 894 742</b>	<b>17 546 792</b>	<b>22 894 742</b>
<b><u>Refuse: Ageing</u></b>			
Current (0 - 30 days)	1 257 690	737 658	1 257 690
31 - 60 Days	629 599	396 657	629 599
61 - 90 Days	1 964 061	288 301	1 964 061
+ 90 Days	6 215 438	7 233 452	6 215 438
<b>Total</b>	<b>10 066 788</b>	<b>8 656 068</b>	<b>10 066 788</b>
<b><u>Sewerage: Ageing</u></b>			
Current (0 - 30 days)	883 821	508 903	883 821
31 - 60 Days	436 296	319 111	436 296
61 - 90 Days	1 637 441	252 563	1 637 441
+ 90 Days	6 238 784	7 126 322	6 238 784
<b>Total</b>	<b>9 196 343</b>	<b>8 206 900</b>	<b>9 196 343</b>
<b><u>Rentals: Ageing</u></b>			
Current (0 - 30 days)	344 519	162 996	344 519
31 - 60 Days	110 801	125 041	110 801
61 - 90 Days	90 768	102 895	90 768
+ 90 Days	1 407 962	2 797 524	1 407 962
<b>Total</b>	<b>1 954 050</b>	<b>3 188 456</b>	<b>1 954 050</b>
<b><u>Other: Ageing</u></b>			
Current (0 - 30 days)	857 334	1 056 600	857 334
31 - 60 Days	760 788	122 672	760 788
61 - 90 Days	281 630	100 203	281 630
+ 90 Days	2 788 800	3 036 523	2 788 800
<b>Total</b>	<b>4 688 553</b>	<b>4 315 998</b>	<b>4 688 553</b>
<b><u>Total: Ageing</u></b>			
Current (0 - 30 days)	25 669 273	16 471 006	25 669 273
31 - 60 Days	4 312 391	5 196 735	4 312 391
61 - 90 Days	8 699 389	2 488 615	8 699 389
+ 90 Days	32 052 578	36 997 551	32 052 578
<b>Total</b>	<b>70 733 632</b>	<b>61 153 907</b>	<b>70 733 632</b>
			<b>61 153 907</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 20 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
<b><u>Reconciliation of the Total doubtful debt provision</u></b>				
Balance at beginning of the year	21 527 766	18 706 087	21 527 766	18 706 087
Contributions to provision	12 632 170	7 022 332	12 632 170	7 022 332
Doubtful debts written off against provision	(6 488 600)	(4 200 653)	(6 488 600)	(4 200 653)
<b>Balance at end of year</b>	<b>27 671 336</b>	<b>21 527 766</b>	<b>27 671 336</b>	<b>21 527 766</b>

**Summary of Receivables by Customer Classification**

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2011</b>				
Total Receivables	62 207 377	7 411 123	1 115 132	70 733 632
Less: Provision for doubtful debts	(27 619 157)	(52 179)	-	(27 671 336)
<b>Total Recoverable debtors by customer classification</b>	<b>34 588 219</b>	<b>7 358 944</b>	<b>1 115 132</b>	<b>43 062 296</b>
<b>2010</b>				
Total Receivables	55 955 427	4 315 998	882 482	61 153 907
Less: Provision for doubtful debts	(21 448 153)	(79 613)	-	(21 527 766)
<b>Total Recoverable debtors by customer classification</b>	<b>34 507 274</b>	<b>4 236 386</b>	<b>882 482</b>	<b>39 626 141</b>

## 21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
<b><u>Other Receivables</u></b>				
Rates	28 312 336	25 057 918	27 759 139	25 057 918
Miscellaneous	1 023 841	1 062 233	1 023 841	1 062 233
<b>Total Other Receivables</b>	<b>29 336 177</b>	<b>26 120 151</b>	<b>28 782 980</b>	<b>26 120 151</b>
Less: Allowance for Doubtful Debts	(8 912 908)	(5 985 674)	(8 912 908)	(5 985 674)
<b>Net Other Receivables</b>	<b>20 423 269</b>	<b>20 134 477</b>	<b>19 870 072</b>	<b>20 134 477</b>
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>20 423 269</b>	<b>20 134 477</b>	<b>19 870 072</b>	<b>20 134 477</b>
<b>Ageing of Receivables from Non-Exchange Transactions</b>				
<b>Rates: Ageing</b>				
Current (0 - 30 days)	8 309 596	6 898 680	7 756 399	6 898 680
31 - 60 Days	1 832 166	2 165 070	1 832 166	2 165 070
61 - 90 Days	4 378 776	1 062 259	4 378 776	1 062 259
+ 90 Days	13 791 798	14 931 909	13 791 798	14 931 909
<b>Total</b>	<b>28 312 336</b>	<b>25 057 918</b>	<b>27 759 139</b>	<b>25 057 918</b>
<b>Miscellaneous : Ageing</b>				
Current (0 - 30 days)	213 918	288 276	213 918	288 276
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	809 924	773 957	809 924	773 957
<b>Total</b>	<b>1 023 841</b>	<b>1 062 233</b>	<b>1 023 841</b>	<b>1 062 233</b>
<b>Reconciliation of the Total doubtful debt provision</b>				
	2011 R	2010 R	2011 R	2010 R
Balance at beginning of the year	5 985 675	1 297 405	5 985 675	1 297 405
Contributions to provision	3 135 457	4 924 883	3 135 457	4 924 883
Doubtful debts written off against provision	(208 223)	(236 614)	(208 223)	(236 614)
<b>Balance at end of year</b>	<b>8 912 909</b>	<b>5 985 675</b>	<b>8 912 909</b>	<b>5 985 675</b>

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

## 21 RECEIVABLES FROM EXCHANGE- AND NON-EXCHANGE TRANSACTIONS

All Non-Government debtors were either specifically impaired or subject to collective impairment.

**Trade and other receivables impaired**

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>Total</b>	<b>27 671 336</b>	<b>8 912 908</b>	<b>36 584 244</b>
<b>2010</b>			
<b>Total</b>	<b>21 527 766</b>	<b>5 985 674</b>	<b>27 513 440</b>

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. The fair value of trade and other receivables approximates their carrying amounts.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
<b>22 OPERATING LEASE ARRANGEMENTS</b>					
<b>22.1 The Municipality as Lessee</b>					
<b>Balance at beginning of year</b>		1 024 239	751 262	1 022 725	751 262
Movement during the year		182 159	272 977	165 452	271 463
Balance Previously Reported		-	-	-	-
Operating Lease Liability previously not recognised - 2009/2010 - Note 38.07		-	1 514	-	-
<b>Balance at end of year</b>		<b>1 206 398</b>	<b>1 024 239</b>	<b>1 188 177</b>	<b>1 022 725</b>
<b>Disclosed as follows: (Restated 2010 - Note 38.08)</b>					
Non-current Operating Lease Liability		1 206 398	1 024 239	1 188 177	1 022 725
Current Portion of Operating Lease Liability		-	-	-	-
		<b>1 206 398</b>	<b>1 024 239</b>	<b>1 188 177</b>	<b>1 022 725</b>
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:					
Up to 1 Year		3 657 436	3 360 011	3 435 070	3 157 860
1 to 5 Years		8 453 904	9 809 116	8 231 537	9 364 384
More than 5 Years		171 745	2 163 013	171 745	2 163 013
<b>Total Operating Lease Arrangements</b>		<b>12 283 085</b>	<b>15 332 140</b>	<b>11 838 352</b>	<b>14 685 257</b>
<b>22.2 The Municipality as Lessor</b>					
<b>Balance at beginning of year</b>		2 167 750	1 849 734	2 167 750	1 849 734
Operating Lease Asset for the current year		230 106	318 016	230 106	318 016
Balance previously reported		-	224 520	-	224 520
Correction of error - Operating lease asset previously not recognised - Note 38.05		-	93 497	-	93 497
<b>Balance at end of year</b>		<b>2 397 856</b>	<b>2 167 750</b>	<b>2 397 856</b>	<b>2 167 750</b>
<b>Disclosed as follows: (Restated 2010 - Note 38.05)</b>					
Non-current Operating Lease Liability		2 397 856	2 167 750	2 397 856	2 167 750
Current Portion of Operating Lease Liability		-	-	-	-
		<b>2 397 856</b>	<b>2 167 750</b>	<b>2 397 856</b>	<b>2 167 750</b>
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:					
Up to 1 Year		940 269	1 030 874	940 269	1 030 874
1 to 5 Years		4 457 054	4 087 859	4 457 054	4 087 859
More than 5 Years		11 228 295	12 087 910	11 228 295	12 087 910
<b>Total Operating Lease Arrangements</b>		<b>16 625 619</b>	<b>17 206 643</b>	<b>16 625 619</b>	<b>17 206 643</b>
This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.					
The leases are in respect of land and buildings being leased out for periods ranging until 2053					
<b>23 CASH AND CASH EQUIVALENTS</b>					
<b>Assets</b>					
Call Investments Deposits		31 077 680	26 181 834	31 077 680	26 181 834
Primary Bank Account		27 553 140	-	25 334 590	-
Secondary Bank Accounts		884 040	770 325	884 040	770 325
Cash Floats		13 531	11 470	12 270	11 470
<b>Total Cash and Cash Equivalents - Assets</b>		<b>59 528 390</b>	<b>26 963 629</b>	<b>57 308 580</b>	<b>26 963 629</b>
<b>Liabilities</b>					
Primary Bank Account		-	10 185 666	-	10 185 666
<b>Total Cash and Cash Equivalents - Liabilities</b>		<b>-</b>	<b>10 185 666</b>	<b>-</b>	<b>10 185 666</b>
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques are included in Cash and Cash Equivalents.					
Call Investment Deposits to an amount of R 5 633 600 are held to fund the Unspent Conditional Grants (2010: R 8 413 996)					
Call Deposits of R 7,376,373 (2010: R 6,947,323) have been pledged to DBSA as guarantees on external loans taken up.					
The municipality has the following bank accounts:					
<b>Current Accounts</b>					
ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):		-	642 629	-	642 629
Nedbank - Account Number 1626561826 (Primary Bank Account):		25 334 590	(10 185 666)	25 334 590	(10 185 666)
Nedbank - Account Number 1626561834 (Secondary Account):		883 804	127 360	883 804	127 360
Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):		236	336	236	336
Knysna ABSA - Account Number 407 660 8096 (Primary Bank Account):		2 218 550	-	-	-
		<b>28 437 180</b>	<b>(9 415 341)</b>	<b>26 218 630</b>	<b>(9 415 341)</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**CASH AND CASH EQUIVALENTS (CONTINUED)**

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
<b>Nedbank - Account Number 1626561826 (Primary Bank Account):</b>				
Cash book balance at beginning of year	(10 185 666)	(15 470 835)	(10 185 666)	(15 470 835)
Cash book balance at end of year	25 334 590	(10 185 666)	25 334 590	(10 185 666)
Bank statement balance at beginning of year	24 499 288	21 135 103	24 499 288	21 135 103
Bank statement balance at end of year	33 543 663	24 499 288	33 543 663	24 499 288
<b>Nedbank - Account Number 1626561834 (Secondary Account):</b>				
Cash book balance at beginning of year	127 360	171 551	127 360	171 551
Cash book balance at end of year	883 804	127 360	883 804	127 360
Bank statement balance at beginning of year	529 700	448 108	529 700	448 108
Bank statement balance at end of year	1 162 721	529 700	1 162 721	529 700
<b>Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):</b>				
Cash book balance at beginning of year	336	436	336	436
Cash book balance at end of year	236	336	236	336
Bank statement balance at beginning of year	336	436	336	436
Bank statement balance at end of year	236	336	236	336
<b>ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):</b>				
Cash book balance at beginning of year	642 629	-	642 629	-
Cash book balance at end of year	-	642 629	-	642 629
Bank statement balance at beginning of year	637 234	-	637 234	-
Bank statement balance at end of year	-	637 234	-	637 234
<b>Knysna ABSA - Account Number 407 660 8096 (Primary Bank Account):</b>				
Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	2 218 550	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	2 218 550	-	-	-

**Call Investment Deposits**

Call investment deposits consist of the following accounts:

Nedbank - 03/7881531940/35 - Ceded DBSA	7 376 373	6 947 323	7 376 373	6 947 323
Nedbank - 03/7881531940/26	425 287	401 414	425 287	401 414
Nedbank - 03/7881042702/03	-	4 091 119	-	4 091 119
Nedbank - 03/7881056231/03	-	8 017	-	8 017
Nedbank - 03/7881080760/01	4 174 698	-	4 174 698	-
Nedbank - 03/7881085932/01	5 060 204	-	5 060 204	-
Nedbank Retail - 33162307-9997	2 598 767	-	2 598 767	-
Old Mutual - 111249865	298 435	-	298 435	-
Old Mutual - 111260822	339 018	-	339 018	-
Old Mutual - 111243580	5 146 184	-	5 146 184	-
Old Mutual - 111243583	17 561	-	17 561	-
Old Mutual - 111249864	39 650	-	39 650	-
Old Mutual - 111249866	24 053	2 013 184	24 053	2 013 184
Old Mutual - 111243585	-	2 607 953	-	2 607 953
Old Mutual - 111253357	-	5 007 600	-	5 007 600
ABSA - 9167248126 - Investment facility	-	57 391	-	57 391
Standard Bank - 08/872631/001	-	4 934 688	-	4 934 688
Standard Bank - 08/8726312/001	5 208 096	-	5 208 096	-
Standard Bank - 08/8726312/004	249 953	-	249 953	-
Investec - 021941-501	119 398	113 146	119 398	113 146
	<b>31 077 680</b>	<b>26 181 835</b>	<b>31 077 680</b>	<b>26 181 835</b>

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**PROPERTY RATES****Actual****Rateable Land and Buildings**

Domestic  
 Building Clause Levies  
 Accommodation  
 Commercial  
 Church  
 Light Industrial  
 Agricultural / Rural  
 State  
 Other - Pensioners etc.

**Less: Rebates****Total Assessment Rates**

138 063 738	127 537 745	138 063 738	127 537 745
99 328 500	93 522 643	99 328 500	93 522 643
4 565	-	4 565	-
15 145 671	12 715 656	15 145 671	12 715 656
13 664 281	12 371 148	13 664 281	12 371 148
763 980	703 358	763 980	703 358
3 453 943	3 161 067	3 453 943	3 161 067
680 931	903 878	680 931	903 878
3 167 216	3 286 486	3 167 216	3 286 486
1 854 652	873 511	1 854 652	873 511
<b>(21 272 360)</b>	<b>(18 941 052)</b>	<b>(21 272 360)</b>	<b>(18 941 052)</b>
<b>116 791 378</b>	<b>108 596 693</b>	<b>116 791 378</b>	<b>108 596 693</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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## PROPERTY RATES (CONTINUED)

	Economic Entity	Knysna Municipality
	2011 R'000	2010 R'000
	2010 R'000	2010 R'000
<b>Valuations - 30 June</b>		
<b>Rateable Land and Buildings</b>		
Domestic	18 639 371	17 276 151
Accommodation	2 290 862	2 154 897
Commercial	1 467 406	1 567 762
Church	85 865	91 555
Light Industrial	392 029	386 569
Agricultural / Rural	4 925	890
State	385 854	385 854
Public benefit	14 500	12 600
Public Infrastructure	5 353	5 093
Municipal	252 373	252 187
Others	51 743	131 972
<b>Total Assessment Rates</b>	<b>23 590 281</b>	<b>22 265 530</b>
	<b>23 590 281</b>	<b>22 265 530</b>
	<b>23 590 281</b>	<b>22 265 530</b>

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2008. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0052925 was charged on the total market value. Businesses were charged at a rate of R 0.00913 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 30,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

25

## GOVERNMENT GRANTS AND SUBSIDIES

	22 278 864	19 283 275	22 278 864	19 283 275
	22 278 864	19 283 275	22 278 864	19 283 275
<b>Unconditional Grants</b>	<b>22 278 864</b>	<b>19 283 275</b>	<b>22 278 864</b>	<b>19 283 275</b>
Equitable Share - Refer to Note 25.01				
<b>Conditional Grants</b>	<b>77 737 680</b>	<b>107 643 590</b>	<b>77 551 827</b>	<b>107 643 590</b>
National FMG Grant	1 030 609	991 983	1 030 609	991 983
National MIG Grant	20 284 743	17 152 272	20 284 743	17 152 272
National MIG Grant (Disaster Management Grant)	-	19 665 805	-	19 665 805
National MSIG Grant	817 973	575 080	817 973	575 080
National: Neighbourhood Development Partnership Grant	1 398 764	-	1 398 764	-
National INEP Grant	1 452 000	1 108 000	1 452 000	1 108 000
National Municipal Disaster Management Grant (MDMG)	12 584 844	27 515 156	12 584 844	27 515 156
National Bulk Infrastructure Grant	-	500 000	-	500 000
Provincial Housing Grant	37 596 464	36 983 755	37 596 464	36 983 755
Provincial Other Grants	967 345	1 256 617	967 345	1 256 617
EDEN District Municipal Grant	290 000	-	290 000	-
Other Spheres of Government Grants	-	178 282	-	178 282
Other Organisational Grants	1 314 939	1 716 639	1 129 086	1 716 639
<b>Total Government Grants and Subsidies</b>	<b>100 016 544</b>	<b>126 926 865</b>	<b>99 830 691</b>	<b>126 926 865</b>
Government Grants and Subsidies - Capital	36 887 924	65 194 971	36 887 924	65 194 971
Government Grants and Subsidies - Operating	63 128 620	61 731 894	62 942 767	61 731 894
	<b>100 016 544</b>	<b>126 926 865</b>	<b>99 830 691</b>	<b>126 926 865</b>

The municipality does not expect any significant changes to the level of grants.

## 25.01 Equitable share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

## 25.02 National: Finance Management Grant (FMG)

	22 278 864	19 283 275	22 278 864	19 283 275
	22 278 864	19 283 275	22 278 864	19 283 275
Balance unspent at beginning of year	-	(8 017)	-	(8 017)
Current year receipts	1 000 000	1 000 000	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 030 609)	(991 982)	(1 030 609)	(991 982)
Unspent (Unpaid) Conditional Government Grants and Receipts	<b>(30 609)</b>	-	<b>(30 609)</b>	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

## 25.03 National: Municipal Infrastructure Grant (MIG)

	22 278 864	19 283 275	22 278 864	19 283 275
	22 278 864	19 283 275	22 278 864	19 283 275
Balance unspent at beginning of year	5 668 173	5 055 445	5 668 173	5 055 445
Current year receipts	11 673 000	17 765 000	11 673 000	17 765 000
Conditions met - transferred to revenue	(20 284 743)	(17 152 272)	(20 284 743)	(17 152 272)
Unspent (Unpaid) Conditional Government Grants and Receipts	<b>(2 943 570)</b>	<b>5 668 173</b>	<b>(2 943 570)</b>	<b>5 668 173</b>

The grant was used to construct roads, labour intensive side walks and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
<b>25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>					
<b>25.04 National: (MIG) Disaster Management Grant</b>					
Balance unspent at beginning of year		-	19 665 806	-	19 665 806
Conditions met - transferred to revenue		-	(19 665 806)	-	(19 665 806)
Unspent (Unpaid) Conditional Government Grants and Receipts		-	-	-	-
Disaster Management Grant was used in mitigation of the flood damage experienced in August 2006 and November 2007. The conditions of the grant have been met.					
<b>25.05 National: Municipal Systems Improvement Grant</b>					
Balance unspent at beginning of year		-	75 080	-	75 080
Current year receipts		750 000	500 000	750 000	500 000
Conditions met - transferred to revenue		(817 973)	(575 080)	(817 973)	(575 080)
Unspent (Unpaid) Conditional Government Grants and Receipts		(67 973)	-	(67 973)	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, most especially the Visual Information Management System.					
<b>25.06 National: Neighbourhood Development Partnership Grant</b>					
Current year receipts		5 000 000	-	5 000 000	-
Conditions met - transferred to revenue		(1 398 764)	-	(1 398 764)	-
Unspent (Unpaid) Conditional Government Grants and Receipts		3 601 236	-	3 601 236	-
The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.					
<b>25.07 National: Integrated National Electrification Program Grant</b>					
Current year receipts		1 452 000	1 108 000	1 452 000	1 108 000
Conditions met - transferred to revenue		(1 452 000)	(1 108 000)	(1 452 000)	(1 108 000)
Unspent (Unpaid) Conditional Government Grants and Receipts		-	-	-	-
The INEP Grant was used to address electrification backlogs of permanently occupied dwellings.					
<b>25.08 National Municipal Disaster Management Grant (MDMG)</b>					
Balance unspent at beginning of year		(5 315 156)	-	(5 315 156)	-
Current year receipts		17 900 000	22 200 000	17 900 000	22 200 000
Conditions met - transferred to revenue		(12 584 844)	(27 515 156)	(12 584 844)	(27 515 156)
Unspent (Unpaid) Conditional Government Grants and Receipts		-	(5 315 156)	-	(5 315 156)
The MDMG was awarded as a drought relief grant and is to be utilised in the creation of additional water resources, specifically ground water and desalination.					
<b>25.09 Regional Bulk Infrastructure Grant</b>					
Current year receipts		-	500 000	-	500 000
Conditions met - transferred to revenue		-	(500 000)	-	(500 000)
Unspent (Unpaid) Conditional Government Grants and Receipts		-	-	-	-
The RBIG was used as a contribution towards the Sedgefield Water Desalination plant.					
<b>25.10 Provincial - Integrated Housing &amp; Human Settlements Grant</b>					
Balance unspent at beginning of year		(2 126 376)	(104 259)	(2 126 376)	(104 259)
Current year receipts		39 292 313	34 961 638	39 292 313	34 961 638
Conditions met - transferred to revenue		(37 596 464)	(36 983 755)	(37 596 464)	(36 983 755)
Unspent (Unpaid) Conditional Government Grants and Receipts		(430 527)	(2 126 376)	(430 527)	(2 126 376)
The Grant is from Western Cape Government, Department of Local Government & Housing and is used for the construction of infrastructure and houses in the Knysna Vision 2002, Flenters/Robololo and Sizamile Housing projects.					
<b>25.11 Provincial - Other Provincial Grants</b>					
Balance due at beginning of the year		(32 833)	(920 016)	(32 833)	(920 016)
Balance unspent at beginning of the year		1 053 801	635 635	1 053 801	635 635
Correction of prior year unspent balance in reconciliation		-	843	-	843
Current year receipts		785 000	2 561 122	785 000	2 561 122
Conditions met - transferred to revenue		(967 345)	(1 256 617)	(967 345)	(1 256 617)
Unspent (Unpaid) Conditional Government Grants and Receipts		-	(32 833)	-	(32 833)
Unspent (Unpaid) Conditional Government Grants and Receipts		838 624	1 053 801	838 624	1 053 801
Various grants were received from Provincial Government for sanitation, libraries, transport, disaster relief, etc; the main grants being: Community Development Workers, Emergency Housing Program, Library Services. Maintenance of Proclaimed Roads. Sport and Non-motorised Transport Grants.					
<b>25.12 Provincial - Contributed Assets</b>					
Current year asset contributed		823 000	-	823 000	-
Conditions met - transferred to revenue		(823 000)	-	(823 000)	-
Unspent (Unpaid) Conditional Government Grants and Receipts		-	-	-	-
The Provincial Government transferred two erven to the municipality at a nominal value of R2. In terms of GRAP 17.23 the assets were recognised at a fair value, being the value determined by the General Valuation adjusted by property index for the particular use in the area concerned.					

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
<b>25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>					
<b>25.12 District - EDEN District Municipal Grants</b>					
Balance unspent at beginning of year	290 000	200 000	290 000	200 000	200 000
Balance due at beginning of the year	-	754 211	-	754 211	754 211
Current year receipts	150 000	844 211	150 000	844 211	844 211
Conditions met - transferred to revenue	(290 000)	-	(290 000)	-	-
Unspent (Unpaid) Conditional Government Grants and Receipts	<b>150 000</b>	<b>150 000</b>	<b>150 000</b>	<b>150 000</b>	<b>290 000</b>
The unspent EDEN grants comprise amounts received and to be utilised for prepaid meters in Karatara (2010) and a Biodiversity Study (2010) and a Knysna Survey Project (2011).					
<b>25.13 Other Spheres of Government Grants</b>					
Balance unspent at beginning of year	234 761	413 043	234 761	413 043	413 043
Current year receipts	80 000	-	80 000	-	-
Conditions met - transferred to revenue	-	(178 282)	-	-	(178 282)
Unspent (Unpaid) Conditional Government Grants and Receipts	<b>314 761</b>	<b>234 761</b>	<b>314 761</b>	<b>234 761</b>	<b>234 761</b>
This unspent Grant is from Masibambane (DWAE) and to be utilised for the continued development of Asset Maintenance Plans.					
<b>25.14 Other organisational grants</b>					
Balance due at beginning of the year	(432 021)	(85 135)	(432 021)	(85 135)	(85 135)
Balance unspent at the beginning of the year	1 167 262	1 000 000	1 167 262	1 000 000	1 000 000
Current year receipts	3 229 273	1 537 014	1 024 137	1 537 014	1 537 014
Conditions met - transferred to revenue	(1 314 939)	(1 716 639)	(1 129 086)	(1 716 639)	(1 716 639)
Conditions met - balance due by organisation transferred to current assets	(98 688)	432 021	(98 688)	432 021	432 021
Conditions met - balance transferred to current liabilities	<b>2 748 263</b>	<b>1 167 262</b>	<b>728 980</b>	<b>1 167 262</b>	<b>1 167 262</b>
Various grants from Other Organisations used for sports facilities, capacity building and youth advisory centre - organisations being National Lottery, Local Government Seta and Umsobomvu Youth Fund.					
<b>25.15 Changes in levels of government grants</b>					
Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.					
<b>26 SERVICE CHARGES</b>					
Electricity	139 133 502	118 015 681	139 133 502	118 015 681	118 015 681
Service Charges	142 084 025	120 337 357	142 084 025	120 337 357	120 337 357
<u>Less:</u> Rebates	(2 950 523)	(2 321 675)	(2 950 523)	(2 321 675)	(2 321 675)
Water	38 949 307	35 765 846	38 949 307	35 765 846	35 765 846
Service Charges	44 532 492	40 856 354	44 532 492	40 856 354	40 856 354
<u>Less:</u> Rebates	(5 583 186)	(5 090 508)	(5 583 186)	(5 090 508)	(5 090 508)
Refuse removal	12 695 305	11 433 078	12 695 305	11 433 078	11 433 078
Service Charges	13 490 219	12 329 679	13 490 219	12 329 679	12 329 679
<u>Less:</u> Rebates	(794 914)	(896 601)	(794 914)	(896 601)	(896 601)
Sewerage and Sanitation Charges	9 096 234	8 484 246	9 096 234	8 484 246	8 484 246
Service Charges	9 812 504	9 247 272	9 812 504	9 247 272	9 247 272
<u>Less:</u> Rebates	(716 270)	(763 027)	(716 270)	(763 027)	(763 027)
Other Service Charges	2 143 944	1 879 796	2 143 944	1 879 796	1 879 796
<b>Total Service Charges</b>	<b>202 018 292</b>	<b>175 578 647</b>	<b>202 018 292</b>	<b>175 578 647</b>	<b>175 578 647</b>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.					
<b>27 OTHER INCOME</b>					
Administration fees	178 599	102 944	178 599	102 944	102 944
Irregular expenditure recovered	9 380	-	9 380	-	-
Parking fees	27 527	33 659	27 527	33 659	33 659
Penalty disconnection fees	505 451	425 407	505 451	425 407	425 407
Sundries	607 390	480 099	607 390	480 099	480 099
Valuation certificates	158 320	113 364	158 320	113 364	113 364
Sale of refuse bags	132 027	135 206	132 027	135 206	135 206
<b>Total Other Income</b>	<b>1 618 694</b>	<b>1 290 679</b>	<b>1 618 694</b>	<b>1 290 679</b>	<b>1 290 679</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**EMPLOYEE RELATED COSTS**

	Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
Employee Related Costs - Salaries and Wages	77 410 012	66 998 224	77 020 012	66 834 675
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids (Restated 2010)	21 749 172	21 363 977	21 748 299	21 363 977
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	6 366 995	6 832 678	6 366 995	6 832 678
Housing Benefits and Allowances	1 350 944	1 302 473	1 350 944	1 302 473
Overtime Payments	5 081 783	4 121 894	5 081 783	4 121 894
Bonuses	5 482 519	4 936 230	5 482 519	4 936 230
Provision for leave	1 264 022	1 008 345	1 264 022	1 008 345
TASK implementation	214 961	728 968	214 961	728 968
Contribution to provision - Ex-gratia pensions - Note 4	34 133	65 112	34 133	65 112
Contribution to provision - Long Service Awards - Note 4	1 129 299	792 940	1 129 299	792 940
Contribution to provision - Post Retirement Medical - Note 4	6 119 223	6 759 201	6 119 223	6 759 201
<b>Less:</b> Employee Costs allocated elsewhere	<b>126 203 063</b>	<b>114 910 041</b>	<b>125 812 189</b>	<b>114 746 493</b>
<b>Total Employee Related Costs</b>	<b>125 407 203</b>	<b>114 616 454</b>	<b>125 016 330</b>	<b>114 452 906</b>

**KEY MANAGEMENT PERSONNEL**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL****Remuneration of the Municipal Manager**

Annual Remuneration	902 265	870 803	902 265	870 803
Backpay	58 912	-	58 912	-
Acting Allowance : R. K Smit	16 232	-	16 232	-
Car Allowance	96 000	96 000	96 000	96 000
Telephone Allowance	12 000	12 000	12 000	12 000
Performance Bonus	100 379	83 467	100 379	83 467
Contributions to UIF, Medical and Pension Funds	181 782	176 119	181 782	176 119
<b>Total</b>	<b>1 367 570</b>	<b>1 238 389</b>	<b>1 367 570</b>	<b>1 238 389</b>

**Remuneration of the Director Technical Services**

Annual Remuneration	700 695	804 145	700 695	804 145
Car Allowance	47 808	27 795	47 808	27 795
Performance Bonus	180 796	120 838	180 796	120 838
Long Service Award	-	63 233	-	63 233
Leave paid out (retired and post subsequently filled)	183 703	-	183 703	-
Telephone allowance	10 000	12 000	10 000	12 000
Housing allowance	3 467	6 522	3 467	6 522
Contributions - UIF, Medical, Pension	148 926	191 555	148 926	191 555
<b>Total</b>	<b>1 275 394</b>	<b>1 226 088</b>	<b>1 275 394</b>	<b>1 226 088</b>

**Remuneration of the Director Corporate Services**

Annual Remuneration	697 483	623 785	697 483	623 785
Car Allowance	96 000	96 000	96 000	96 000
Telephone Allowance	12 444	12 444	12 444	12 444
Performance Bonus	66 685	58 482	66 685	58 482
Contributions - UIF, Medical, Pension	119 119	113 779	119 119	113 779
<b>Total</b>	<b>991 731</b>	<b>904 489</b>	<b>991 731</b>	<b>904 489</b>

**Remuneration of the Director Financial Services**

Annual Remuneration	996 781	906 040	996 781	906 040
Car Allowance	36 000	36 000	36 000	36 000
Telephone Allowance	13 066	13 066	13 066	13 066
Performance Bonus	87 286	63 507	87 286	63 507
Contributions to UIF, Medical and Pension Funds	28 956	27 809	28 956	27 809
<b>Total</b>	<b>1 162 090</b>	<b>1 046 423</b>	<b>1 162 090</b>	<b>1 046 423</b>

**Remuneration of the Director Strategy (2010/2011 Acting)**

Annual Remuneration (Acting)	138 258	226 530	138 258	226 530
Performance Bonus	41 678	38 988	41 678	38 988

**Total**

Annual Remuneration	594 027	488 634	594 027	488 634
Car Allowance	109 500	150 000	109 500	150 000
Telephone Allowance	12 000	12 000	12 000	12 000
Performance Bonus	36 346	34 000	36 346	34 000
Contributions to UIF, Medical and Pension Funds	120 666	114 446	120 666	114 446
<b>Total</b>	<b>872 538</b>	<b>799 081</b>	<b>872 538</b>	<b>799 081</b>

**Remuneration of Director : Planning and Development**

Annual Remuneration	727 992	660 464	727 992	660 464
Car Allowance	60 000	60 000	60 000	60 000
Telephone allowance	12 444	12 444	12 444	12 444
Performance Bonus	91 692	85 774	91 692	85 774
Contributions - UIF, Medical, Pension	124 611	119 270	124 611	119 270
<b>Total</b>	<b>1 016 738</b>	<b>937 952</b>	<b>1 016 738</b>	<b>937 952</b>

**Remuneration of the Acting Chief Executive Officer**

Annual Remuneration	390 000	163 548	-	-
Contributions - UIF, Medical, Pension	873	-	-	-

**Total**

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Knysna Municipality	
	2011 R	2010 R	2011 R	2010 R
<b>29 REMUNERATION OF COUNCILLORS</b>				
Executive Mayor	588 886	565 936	588 886	565 936
Executive Deputy Mayor	477 944	461 105	477 944	461 105
Speaker	477 944	461 105	477 944	461 105
Councillors	2 099 642	1 947 547	2 099 642	1 947 547
Mayoral Committee	943 666	866 710	943 666	866 710
<b>Total Councillors' Remuneration</b>	<b>4 588 082</b>	<b>4 302 403</b>	<b>4 588 082</b>	<b>4 302 403</b>
<b>In-kind Benefits</b>				
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.				
<b>Certification by the Municipal Manager</b>				
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.				
<hr/>				
Signed: Acting Municipal Manager				
<b>30 REMUNERATION OF DIRECTORS OF KNYSNA ECONOMIC DEVELOPMENT AGENCY</b>				
Sitting allowances	44 000	13 000	-	-
<b>Total Councillors' Remuneration</b>	<b>44 000</b>	<b>13 000</b>	<b>-</b>	<b>-</b>
Discloser in terms of Sect 124(2)(a) of the MFMA				
The members of the board of directors of the entity are non-executive directors.				
<b>31 DEBT IMPAIRMENT</b>				
Long Term Receivables - Note 18	(23 259)	(58 155)	(23 259)	(58 155)
Investment in Entity - Note 17	-	-	1 514 393	218 041
Receivables from exchange transactions - Note 20	12 632 170	7 022 332	12 632 170	7 022 332
Receivables from non-exchange transactions - Note 21	3 135 457	4 924 883	3 135 457	4 924 883
<b>Total Contribution to Impairment Provision</b>	<b>15 744 368</b>	<b>11 889 060</b>	<b>17 258 761</b>	<b>12 107 101</b>
<b>32 IMPAIRMENTS</b>				
Stock impaired	69 742	9 433	69 742	9 433
Property Plant & Equipment (Land and Buildings)	-	65 253 196	-	65 253 196
Cash and Cash equivalents - Armed Robbery	53 963	-	53 963	-
	<b>123 705</b>	<b>65 262 629</b>	<b>123 705</b>	<b>65 262 629</b>
<b>33 FINANCE CHARGES</b>				
Long-term liabilities (Restated 2010)	17 193 358	16 572 366	17 193 358	16 572 366
<b>Total finance charges</b>	<b>17 193 358</b>	<b>16 572 366</b>	<b>17 193 358</b>	<b>16 572 366</b>
Borrowing costs capitalised in terms of GRAP 5.	<b>108 869</b>	<b>1 321 736</b>	<b>108 869</b>	<b>1 321 736</b>
<b>34 BULK PURCHASES</b>				
Electricity	85 585 757	69 031 096	85 585 757	69 031 096
Refuse drums	32 420	60 466	32 420	60 466
<b>Total Bulk Purchases</b>	<b>85 618 177</b>	<b>69 091 562</b>	<b>85 618 177</b>	<b>69 091 562</b>
<b>35 GRANTS AND SUBSIDIES</b>				
Grants-in-aid and Donations	1 602 781	1 352 078	1 602 781	1 352 078
Knysna Economic Development Agency	-	5 395	-	5 395
Knysna Tourism	4 240 000	4 000 000	4 240 000	4 000 000
<b>Total Grants and Subsidies</b>	<b>5 842 781</b>	<b>5 357 472</b>	<b>5 842 781</b>	<b>5 357 472</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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## OTHER OPERATING GRANT EXPENDITURE

## NATIONAL GRANTS

Masibambane  
Local Government Finance Management Grant  
Municipal Infrastructure Grant  
Disaster Relief 08  
Municipal Infrastructure Grant  
Municipal System Improvements Grant

## PROVINCIAL GRANTS

Community Development Worker  
Ward Based Projects  
Housing Consumer Education  
Integrated Housing & Human Settlements  
Library Services  
Local Government Project Preparation  
Poverty Alleviation  
Management Support Grant: PMS

## DISTRICT GRANTS

Bio Diversity

## GRANTS FROM OTHER ORGANISATIONS

Govern Mbeki National Housing Award  
LGSETA Learnerships  
UYF: Youth Advisory Centre

## Total Other Operating Grant Expenditure

	Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	Knysna Municipality 2010 R
NATIONAL GRANTS	2 173 412	3 277 817	2 173 412	3 277 817
Masibambane	-	156 388	-	156 388
Local Government Finance Management Grant	905 286	991 983	905 286	991 983
Municipal Infrastructure Grant	515 452	1 581 084	515 452	1 581 084
Disaster Relief 08	-	1 203 320	-	1 203 320
Municipal Infrastructure Grant	515 452	377 765	515 452	377 765
Municipal System Improvements Grant	752 674	548 361	752 674	548 361
PROVINCIAL GRANTS	35 458 217	36 381 565	35 458 217	36 381 565
Community Development Worker	26 430	32 833	26 430	32 833
Ward Based Projects	40 155	49 361	40 155	49 361
Housing Consumer Education	51 765	56 995	51 765	56 995
Integrated Housing & Human Settlements	34 509 117	35 165 669	34 509 117	35 165 669
Library Services	511 000	360 000	511 000	360 000
Local Government Project Preparation	-	62 000	-	62 000
Poverty Alleviation	282 017	500 758	282 017	500 758
Management Support Grant: PMS	37 733	153 948	37 733	153 948
DISTRICT GRANTS	90 000	-	90 000	-
Bio Diversity	90 000	-	90 000	-
GRANTS FROM OTHER ORGANISATIONS	161 369	876 336	161 369	876 336
Govern Mbeki National Housing Award	-	196 054	-	196 054
LGSETA Learnerships	75 914	515 736	75 914	515 736
UYF: Youth Advisory Centre	85 454	164 546	85 454	164 546
Total Other Operating Grant Expenditure	37 882 997	40 535 717	37 882 997	40 535 717

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## GENERAL EXPENSES

## Other Materials

Electricity Charge (Direct from ESKOM)  
Fuel, Oil & Vehicle Management  
Materials & Stores  
Consumables & Stationery  
Protective Clothing  
Environmental Protection  
Chemical Supplies

## Other Expenditure

Advertising and Media  
Audit Fees  
Bank Charges  
Collection Costs  
Consultants Fees  
Contrib to Non Current Provisions

Eradication of alien vegetation  
Rehabilitation of tip sites

Entity's Expenditure  
General Expenses  
Insurance  
Levies, Subscriptions and Licences  
Office Space Rental  
Planning  
Projects

Community based Initiatives  
Municipal contribution towards low cost housing  
Operating projects  
World Cup 2010  
Removal of trees project

Staff Related (recruitment, training, etc.)  
Telecommunications and Postage  
Travel, Entertainment and Functions

General Expenses

	14 646 148	13 762 140	14 646 148	13 762 140
1 025 376	812 934	1 025 376	812 934	1 025 376
4 186 090	3 507 209	4 186 090	3 507 209	4 186 090
3 858 621	4 229 244	3 858 621	4 229 244	3 858 621
1 169 098	1 138 657	1 169 098	1 138 657	1 169 098
594 739	461 349	594 739	461 349	594 739
255 591	226 136	255 591	226 136	255 591
3 556 633	3 386 611	3 556 633	3 386 611	3 386 611
39 261 695	39 574 578	38 467 852	39 550 670	39 550 670
1 302 480	1 371 132	1 302 480	1 371 132	1 302 480
2 335 110	2 092 766	2 335 110	2 092 766	2 335 110
1 006 346	806 201	1 006 346	806 201	1 006 346
367 304	199 900	367 304	199 900	367 304
1 169 609	1 073 904	1 169 609	1 073 904	1 169 609
3 632 364	-	3 632 364	-	3 632 364
989 883	-	989 883	-	989 883
2 642 481	-	2 642 481	-	2 642 481
793 843	23 908	-	-	-
2 650 930	2 893 224	2 650 930	2 893 224	2 650 930
1 443 446	1 213 354	1 443 446	1 213 354	1 443 446
4 063 021	3 349 361	4 063 021	3 349 361	4 063 021
3 541 561	3 469 122	3 541 561	3 469 122	3 541 561
875 336	1 339 546	875 336	1 339 546	875 336
8 209 307	14 308 327	8 209 307	14 308 327	8 209 307
2 083 454	571 921	2 083 454	571 921	2 083 454
2 349 155	3 726 145	2 349 155	3 726 145	2 349 155
2 521 296	3 183 148	2 521 296	3 183 148	2 521 296
818 375	6 184 612	818 375	6 184 612	818 375
437 026	642 500	437 026	642 500	437 026
1 179 667	1 770 850	1 179 667	1 770 850	1 179 667
4 009 531	3 661 751	4 009 531	3 661 751	4 009 531
2 681 841	2 001 232	2 681 841	2 001 232	2 681 841
53 907 843	53 336 717	53 114 000	53 312 809	53 312 809

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance.  
This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity 2010 R	Knysna Municipality 2010 R
<b>38</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
<b>38.01</b>	<b>Receivables from exchange transactions</b>		
	<b>Balance previously reported</b>	39 405 400	39 405 400
	Rentals not previously measured prior to 1 July 2009 - Refer Note 38.120	152 356	152 356
	Rentals not previously measured for the prior year - Refer Note 38.120	68 385	68 385
	<b>Total</b>	<b>39 626 141</b>	<b>39 626 141</b>
<b>38.02</b>	<b>Long-term Liabilities</b>		
	<b>Balance previously reported</b>	171 627	171 627
	Finance lease not previously recognised - Notes 3 and 38.11 and 38.120		
	<b>Total</b>	<b>171 627</b>	<b>171 627</b>
<b>38.03</b>	<b>Current Employee Benefits</b>		
	<b>Balance previously reported</b>	10 996 564	10 996 564
	Workman's compensation expenditure not recognised from 1 July 2006 to 30 June 2009 due to no assessments received from the Commissioner - Note 7	1 635 420	1 635 420
	Workman's compensation expenditure not recognised due to no assessments received from the Commissioner - Note 7	531 379	531 379
	<b>Total</b>	<b>13 163 363</b>	<b>13 163 363</b>
<b>38.04</b>	<b>Property, Plant and Equipment</b>		
	<b>Balance previously reported</b>	491 352 923	491 352 923
	Finance leases not previously recognised - Cost - Note 13	190 336	190 336
	Finance leases not previously recognised - Accumulated depreciation - Note 13	(21 148)	(21 148)
	Property, plant and equipment sold in 2006 not previously disposed - Cost - Refer to note 13 and 38.11	-	-
	Correction of Opening Balance on Cost/Fair Value due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	226 758 745	226 758 745
	Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	175 019 570	175 019 570
	Correction of prior year Accumulated Impairments due to the implementation of Directive 4 - Note 13 and 55.01	(27 731 926)	(27 731 926)
	Correction of prior year movement on Cost/Fair Value due to the implementation of Directive 4 - Note 13 and 55.01	(1 056 949)	(1 056 949)
	Correction of movement on depreciation due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	7 942 779	7 942 779
	Correction of prior year Impairments due to the implementation of Directive 4 - Note 13 and 55.01	(65 253 206)	(65 253 206)
	<b>Total</b>	<b>807 201 125</b>	<b>807 201 125</b>
<b>38.05</b>	<b>Current Portion of Operating Lease Asset</b>		
	<b>Balance previously reported</b>	2 074 253	2 074 253
	Operating lease asset not previously recognised - Notes 22.2 and 38.120	93 497	93 497
	Transfer to Non-current Operating Lease Asset - Note 38.06	(2 167 750)	(2 167 750)
	<b>Total</b>	<b>2 167 750</b>	<b>2 167 750</b>
<b>38.06</b>	<b>Non-current Operating Lease Asset</b>		
	<b>Balance previously reported</b>	-	-
	Transfer from Current Portion of Operating Lease Asset - Note 38.05	2 167 750	2 167 750
	<b>Total</b>	<b>2 167 750</b>	<b>2 167 750</b>
<b>38.07</b>	<b>Current Portion of Operating Lease Liability</b>		
	<b>Balance previously reported</b>	1 022 725	1 022 725
	Operating Lease Liability previously not recognised - 2009/2010 - Note 22.1	1 514	-
	Transfer to Non-current Operating Lease Liability - Note 38.08	(1 024 239)	(1 022 725)
	<b>Total</b>	<b>-</b>	<b>-</b>
<b>38.08</b>	<b>Non-current Operating Lease Liability</b>		
	<b>Balance previously reported</b>	1 024 239	1 022 725
	Transfer from Current Portion of Operating Lease Liability - Notes 38.07		
	<b>Total</b>	<b>1 024 239</b>	<b>1 022 725</b>
<b>38.09</b>	<b>Intangible assets</b>		
	<b>Balance previously reported</b>	177 516	177 516
	Correction of Cost due to the implementation of Directive 4 - Note 16 and 38.11 and 55.02	(2 038)	(2 038)
	Correction Accumulated Amortisation due to the implementation of Directive 4 - Note 16 and 38.11 and 55.02	2 035	2 035
	<b>Total</b>	<b>177 513</b>	<b>177 513</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity 2010 R	Knysna Municipality 2010 R
<b>38.10 Investment Properties</b>		
<b>Balance previously reported</b>	102 224	102 224
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 15 and 38.11 and 55.03	175 288 306	175 288 306
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 38.11 and 55.03	88 108	88 108
Correction of prior year fair value adjustments due to the implementation of Directive 4 - Note 15 and 55.03	(33 382 002)	(33 382 002)
Correction of prior year movements on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 38.12 and 55.03	6 365	6 365
<b>Total</b>	<b>142 103 000</b>	<b>142 103 000</b>
<b>38.11 Accumulated Surplus/(Deficit)</b>		
<b>Balance previously reported</b>	244 496 729 547 015 790	244 496 729 547 015 790
Rentals not previously measured for the prior year- Refer Note 38.01	152 356	152 356
Workman's compensation expenditure not recognised from 1 July 2006 to 30 June 2009 due to no assessments received from the Commissioner - Note 38.03	(1 635 420)	(1 635 420)
Correction of movement on repairs and maintenance on Cost of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	(491 099)	(491 099)
Correction of movement on operating grant expenditure (Housing Top Structures) on Cost of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	(432 853)	(432 853)
Adjustments to Investment Property at fair value due to the implementation of Directive 4 - Notes 38.10 and 55.03	175 288 306	175 288 306
Reversal of Accumulated Depreciation on Investment Properties due to the implementation of Directive 4 - Notes 38.10 and 55.03	88 108	88 108
Adjustments to Intangible Assets at cost due to the implementation of Directive 4 - Notes 38.09 and 55.02	2 038	2 038
Adjustments to Accumulated Amortisation on Intangible Assets at cost due to the implementation of Directive 4 - Notes 38.09 and 55.02	(2 035)	(2 035)
Correction of Opening Balance on Cost of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	226 758 745	226 758 745
Correction of Opening Balance on Accumulated Depreciation of PPE due to the implementation of Directive 4 - Note 13 and 38.11 and 55.01	175 019 570	175 019 570
Correction of prior year Accumulated Impairments of PPE due to the implementation of Directive 4 - Note 13 and 55.01	(27 731 926)	(27 731 926)
<b>Total</b>	<b>791 512 519</b>	<b>791 512 519</b>
<b>38.12 Statement of financial performance</b>		
<b>Surplus previously reported</b>	69 617 938 (91 192 511)	69 579 998 (91 190 997)
Adjustments to depreciation due to the implementation of Directive 4 - Notes 38.04 and 55.01 Commissioner - Note 38.03	7 810 761 (531 379)	7 810 761 (531 379)
Recognition of prior year Impairments due to the implementation of Directive 4 - Note 13 and 38.04 and 55.01	(65 253 206)	(65 253 206)
Adjustments to Investment Property at fair value due to the implementation of Directive 4 - Notes 38.10 and 55.03	(33 382 002)	(33 382 002)
Reversal of Accumulated Depreciation on Investment Properties due to the implementation of Directive 4 - Notes 38.10 and 55.03	6 365	6 365
Finance leases not previously recognised - Interest expense	(5 501)	(5 501)
Finance leases not previously recognised - Depreciation	(21 148)	(21 148)
Finance leases not previously recognised - General expenses - Hire Office Equipment	24 211	24 211
Operating lease asset not previously recognised - Note 38.05	93 497	93 497
Rentals not previously measured for the prior year - Refer Note 38.01 #REF!	68 385	68 385
Operating Lease Liability previously not recognised - 2009/2010 - Note 38.07	(980)	(980)
<b>Total</b>	<b>(21 574 573)</b>	<b>(21 610 999)</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**

	Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	Knysna Municipality 2010 R
Surplus/(Deficit) for the year	98 807 642	(21 599 014)	98 340 835	(21 610 999)
<b>Adjustments for:</b>				
Depreciation and amortisation	18 556 806	22 433 143	18 552 084	22 432 543
(Gain)/Loss on disposal of property, plant and equipment	(1 002 791)	(202 357)	(1 002 791)	(202 357)
Impairments		65 253 196	-	65 253 196
Gain on Fair Value Adjustments of Investment Property	(36 174 265)	-	(36 174 265)	-
Reversal of Impairment Losses of Property, Plant & Equipment	(18 338 000)	-	(18 338 000)	-
Fair Value Adjustments on Investment Properties	-	33 382 002		33 382 002
Refinancing cost	595 170	-	595 170	-
Contribution/(reduction) from/to provisions - Non-Current	3 632 364	(708 060)	3 632 364	(708 060)
Contribution from/to Non-current provisions - expenditure incurred	(899 398)	-	(899 398)	-
Contribution from/to employee benefits - non-current	7 282 655	7 617 253	7 282 655	7 617 253
Contribution from/to employee benefits - non-current - expenditure incurred	(1 932 670)	(1 802 105)	(1 932 670)	(1 802 105)
Contribution from/to employee benefits - non-current - actuarial losses	6 054 852	1 087 056	6 054 852	1 087 056
Contribution from/to employee benefits - non-current - actuarial gains	-	(6 061 408)	-	(6 061 408)
Contribution to employee benefits - current	2 973 520	4 438 905	2 973 520	4 438 905
Contribution to employee benefits - current - expenditure incurred	(2 171 751)	(823 834)	(2 171 751)	(823 834)
Contribution to provisions - bad debt	17 258 761	12 107 101	17 258 761	12 107 101
Unamortised discount	(680 699)	(735 787)	(680 699)	(735 787)
Bad debts written off	(7 329 989)	(4 437 266)	(7 329 989)	(4 437 266)
Operating lease income accrued	(230 106)	(318 016)	(230 106)	(318 016)
Operating lease expenses accrued	182 159	272 978	165 452	271 463
Investment income	(5 914 526)	(5 875 952)	(5 914 526)	(5 875 952)
Interest expense	17 193 358	16 572 366	17 193 358	16 572 366
Operating Surplus/(Deficit) before changes in working capital	<b>97 863 092</b>	<b>120 600 199</b>	<b>97 374 855</b>	<b>120 586 099</b>
Changes in working capital	5 929 491	(41 201 569)	4 169 265	(41 226 009)
Increase/(Decrease) in Trade and Other Payables	10 524 378	4 763 108	10 534 698	4 738 669
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(761 114)	(18 631 013)	(2 780 396)	(18 631 013)
Increase/(Decrease) in Unspent Public Contributions	4 500	-	4 500	-
Increase/(Decrease) in Taxes	5 161 100	(6 108 662)	4 856 639	(6 108 662)
(Increase)/Decrease in Inventory	(538 641)	635 247	(538 641)	635 247
(Increase)/Decrease in Trade Receivables from exchange transactions	(9 579 725)	(7 072 939)	(9 579 725)	(7 072 939)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(3 216 026)	(8 752 562)	(2 662 829)	(8 752 562)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	4 335 020	(6 034 749)	4 335 020	(6 034 749)
<b>Cash generated/(absorbed) by operations</b>	<b>103 792 583</b>	<b>79 398 631</b>	<b>101 544 121</b>	<b>79 360 091</b>

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**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 23	31 077 680	26 181 834	31 077 680	26 181 834
Cash Floats - Note 23	13 531	11 470	12 270	11 470
Bank - Note 23	28 437 180	770 325	26 218 630	770 325
Bank overdraft - Note 23	-	(10 185 666)	-	(10 185 666)
<b>Total cash and cash equivalents</b>	<b>59 528 390</b>	<b>16 777 964</b>	<b>57 308 580</b>	<b>16 777 964</b>

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**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

Cash and Cash Equivalents - Note 40	59 528 390	16 777 964	57 308 580	16 777 964
Investments - Note 17	14 983 551	13 295 234	14 983 551	13 295 235
Less:				
Unspent Committed Conditional Grants - Note 10	74 511 941	30 073 198	72 292 130	30 073 199
Unspent Conditional Public Contributions - Note 11	54 079 302	24 555 566	51 755 559	24 555 567
Unspent Borrowings - Note 42	7 652 883	507 611	5 633 600	507 611
Cash Portion of Housing Development Fund - Note 2	4 500	-	4 500	-
Secured Investments - Notes 3 and 17	21 699 847	10 752 720	21 699 847	10 752 720
VAT - Note 12	2 057 688	-	2 057 688	-
<b>Net cash resources available for internal distribution</b>	<b>22 359 924</b>	<b>13 295 234</b>	<b>22 359 924</b>	<b>13 295 235</b>
<b>Allocated to:</b>	<b>304 461</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital Replacement Reserve - Note 2	(5 199 523)	-	(5 199 523)	-
Employee Benefits Reserve - Note 2	(5 242 645)	-	(5 242 645)	-
Non-Current Provisions Reserve - Note 2	(4 656 176)	-	(4 656 176)	-
<b>Resources available (shortfall) for working capital requirements</b>	<b>5 334 294</b>	<b>5 517 632</b>	<b>5 438 227</b>	<b>5 517 632</b>

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**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities - Note 3	173 542 503	168 165 309	173 542 503	168 165 309
Used to finance property, plant and equipment - at cost	(151 842 655)	(157 412 589)	(151 842 655)	(157 412 589)
Cash set aside for the unspent portion of long-term liabilities - Note 41	21 699 847	10 752 720	21 699 847	10 752 720
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 17% and will be repaid by 2029

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

43	BUDGET COMPARISONS	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
43.1	<b>Operational</b>				
	<b>Revenue by source</b>				
	Property Rates	116 791 378	118 527 000	(1 735 622)	(1%)
	Government Grants and Subsidies - Capital	36 887 924	37 960 000	(1 072 076)	(3%)
	Government Grants and Subsidies - Operating	63 128 620	72 783 747	(9 655 127)	(13%)
	Augmentation Fees	2 386 870	-	2 386 870	100%
	Foreign Exchange Gain	74 959	-	74 959	100%
	Third Party Payments	616 811	-	616 811	100%
	Fines	2 338 273	1 989 000	349 273	18%
	Stock Adjustments	56 614	-	56 614	100%
	Reversal of Impairment Losses	18 338 000	-	18 338 000	100%
	Other non-exchange revenue	359 758	236 000	123 758	52%
	Property Rates - penalties imposed and collection charges	2 018 900	1 959 000	59 900	3%
	Service Charges	202 018 292	198 512 000	3 506 292	2%
	Rental of Facilities and Equipment	4 069 244	3 126 000	943 244	30%
	Interest Earned - external investments	5 914 526	5 027 997	886 529	18%
	Interest Earned - outstanding debtors	3 872 597	3 843 000	29 597	1%
	Licences and Permits	1 719 389	1 109 000	610 389	55%
	Agency Services	1 715 677	1 731 000	(15 323)	(1%)
	Other Income	1 618 694	1 322 000	296 694	22%
	Gain on disposal of PPE / Investment Property	1 541 241	-	1 541 241	100%
	Unamortised discount - Interest	691 109	716 000	(24 891)	(3%)
		466 158 876	448 841 744	17 317 132	4%
	<b>Expenditure by nature</b>				
	Employee related costs	(125 407 203)	(128 382 050)	2 974 847	(2%)
	Remuneration of Councillors	(4 588 082)	(4 352 000)	(236 082)	5%
	Remuneration of Directors of Knysna Economic Development Agency	(44 000)	(62 500)	18 500	(30%)
	Debt Impairment	(15 744 368)	(23 586 000)	7 841 632	(33%)
	Collection Cost	(104 918)	(80 000)	(24 918)	31%
	Depreciation and Amortisation	(18 556 806)	(31 359 045)	12 802 239	(41%)
	Impairments	(123 705)	(64 000)	(59 705)	93%
	Repairs and Maintenance	(19 924 703)	(19 690 960)	(233 743)	1%
	Actuarial losses	(6 054 852)	-	(6 054 852)	100%
	Finance Charges	(17 193 358)	(19 394 190)	2 200 832	(11%)
	Unamortised discount - Interest	(10 410)	-	(10 410)	100%
	Bulk Purchases	(85 618 177)	(86 398 320)	780 143	(1%)
	Contracted services	(12 805 847)	(12 357 550)	(448 297)	4%
	Grants and Subsidies Paid	(5 842 781)	(5 703 550)	(139 231)	2%
	Other Operating Grant Expenditure	(37 882 997)	(40 312 000)	2 429 003	(6%)
	Loss on disposal of PPE / Investment Property	(538 450)	-	(538 450)	100%
	General Expenses	(53 907 843)	(55 605 061)	1 697 218	(3%)
		(404 348 499)	(427 347 226)	22 998 727	(5%)
	<b>Net Surplus for the year</b>	<b>61 810 377</b>	<b>21 494 518</b>	<b>40 315 859</b>	<b>188%</b>
	<b>Knysna Municipality</b>				
	<b>Operational</b>				
	<b>Revenue by source</b>				
	Property Rates	116 791 378	118 527 000	(1 735 622)	(1%)
	Government Grants and Subsidies - Capital	36 887 924	37 960 000	(1 072 076)	(3%)
	Government Grants and Subsidies - Operating	62 942 767	72 353 000	(9 410 233)	(13%)
	Government Transfers - Contributed Assets	823 000	-	823 000	100%
	Augmentation Fees	2 386 870	-	2 386 870	100%
	Foreign Exchange Gain	74 959	-	74 959	100%
	Third Party Payments	616 811	-	616 811	100%
	Fines	2 338 273	1 989 000	349 273	18%
	Stock Adjustments	56 614	-	56 614	100%
	Gain on Fair Value Adjustments of Investment Property	18 338 000	-	18 338 000	100%
	Reversal of Impairment Losses	36 174 265	-	36 174 265	100%
	Other non-exchange revenue	359 758	236 000	123 758	52%
	Property Rates - penalties imposed and collection charges	2 018 900	1 959 000	59 900	3%
	Service Charges	202 018 292	198 512 000	3 506 292	2%
	Rental of Facilities and Equipment	4 069 244	3 126 000	943 244	30%
	Interest Earned - external investments	5 914 526	5 012 000	902 526	18%
	Interest Earned - outstanding debtors	3 872 597	3 843 000	29 597	1%
	Licences and Permits	1 719 389	1 109 000	610 389	55%
	Agency Services	1 715 677	1 731 000	(15 323)	(1%)
	Other Income	1 618 694	1 322 000	296 694	22%
	Gain on disposal of PPE / Investment Property	1 541 241	-	1 541 241	100%
	Unamortised discount - Interest	691 109	716 000	(24 891)	(3%)
		502 970 288	448 395 000	54 575 288	12%
	<b>Expenditure by nature</b>				
	Employee related costs	(125 016 330)	(128 006 300)	2 989 970	(2%)
	Remuneration of Councillors	(4 588 082)	(4 352 000)	(236 082)	5%
	Debt Impairment	(17 258 761)	(23 586 000)	6 327 239	(27%)
	Collection Cost	(104 918)	(80 000)	(24 918)	31%
	Depreciation and Amortisation	(18 552 084)	(31 344 420)	12 792 336	(41%)
	Impairments	(123 705)	(64 000)	(59 705)	93%
	Repairs and Maintenance	(19 924 703)	(19 690 460)	(234 243)	1%
	Actuarial losses	(6 054 852)	-	(6 054 852)	100%
	Finance Charges	(17 193 358)	(19 394 190)	2 200 832	(11%)
	Unamortised discount - Interest	(10 410)	-	(10 410)	100%
	Bulk Purchases	(85 618 177)	(86 398 320)	780 143	(1%)
	Contracted services	(12 805 847)	(12 357 550)	(448 297)	4%
	Grants and Subsidies Paid	(5 842 781)	(5 703 550)	(139 231)	2%
	Other Operating Grant Expenditure	(37 882 997)	(40 312 000)	2 429 003	(6%)
	Loss on disposal of PPE / Investment Property	(538 450)	-	(538 450)	100%
	General Expenses	(53 114 000)	(54 747 210)	1 633 210	(3%)
		(404 629 453)	(426 036 000)	21 406 547	(5%)
	<b>Net Surplus for the year</b>	<b>98 340 835</b>	<b>22 359 000</b>	<b>75 981 835</b>	<b>340%</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 43 BUDGET COMPARISONS (CONTINUED)

**Operational**Details of material variances**Revenue by source**

Explanations of variances on Revenue by Source are only provided where the value is more than R 1 million below the budget and the variance percentage is greater than 10%.

Government Grants and Subsidies - Operating: R -9 655 127	(13%)	- Revenue from operating government grants and subsidies can only be recognised if expenditure has occurred and the grant conditions have been met. The main operating grants that have under spent compared to budget are the Informal Housing and Human Settlements Grant (IHHS) (R 2,0 million) and the Masibambane Grant (R 0,3 million).  IHHS was an unpaid debtor at 1 July 2010 of R 2,3 million. Part of the grant received for 2010/2011 was used to settle the unpaid balance resulting in lower than budgeted expenditure during the year. Unspent funds for the Masibambane project were appropriated in the February 2011 adjustment budget, but were never utilised.  The other portion of operating grant revenue that did not realise is related to the recognition of VAT as own revenue on grant funded projects which is allowed in terms of MFMA Circular 48. VAT related to the Neighbourhood Development Partnership Grant (NDPG) could not be recognised as the grant contract and conditions has specifically excluded this (R 0,6 million). No VAT was recognised on the Municipal Disaster Management Grant (MDMG) since the grant was fully utilised to fund the capital projects and has been recognised in government grants and subsidies - capital. VAT on the IHHS grant has not been recognised as the grant has been fully utilised.
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Reversal of Impairment Losses: R 18 338 000      100% - Reversal of impairment losses on land and buildings previously recognised due to the adoption of the fair value model.

**Expenditure by type**

Explanations of variances on Expenditure by Type are only provided where the value is R 1 million more or less than the budget and the variance percentage is greater than 10%.

Actuarial losses: R -6 054 852	100%	- Movements in the liabilities for non-current employee benefits, which includes post-employment health care benefits, long service awards and ex-gratia pensions, result from increases or decreases in the liability over the period from the previous valuation date to the current valuation date. For the current period unexpected decreases (termed actuarial losses) occurred due to the following factors: decrease in the net discount rate; contributions, pension increases and salary increase higher than assumed; actual benefit payments higher than expected; and changes in the membership profile.
Debt Impairment: R 7 841 632	(33%)	- The main variance on Debt Impairments relates to the impairment of Consumer Debtors (R 6,9 million). The budget was formulated to reflect the difference in the projected revenue and the cash to be realised from these billings. Higher than budgeted payment levels, collection of arrears older than a year and council approved write offs resulted in a lower than budgeted debt impairment required for consumer debtors. Knysna Municipality's contribution towards Knysna Economic Development Agency (KEDA) is represented by non-current investments in the Statement of Financial Position. These contributions are fully impaired as a cash return is neither expected nor required. The contribution towards KEDA was greater than budgeted and thus the debt impairment of this investment has been overspent by R 0,6 million.
Depreciation and Amortisation: R 12 802 239	(41%)	- Implementation of GRAP 17.
Finance Charges: R 2 200 832	(11%)	- The savings on interest repayments for annuity loans is R 2,1 million. The new loan secured for 2010/2011 was only disbursed at the end of June 2011, resulting in no finance charges for 2010/2011. Rates on loans linked to variable instruments, such as JIBAR, have decreased between one and two percent since budget projections were made for the 2010/2011 financial year resulting in savings on finance charges for 2010/2011.

Economic Entity

## 43.2 Expenditure by Vote

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Executive & Council	32 544 929	30 894 316	1 650 613	5%
Corporate	8 141 242	7 343 950	797 292	11%
Finance	11 371 074	13 365 890	(1 994 816)	(15%)
Strategy	1 543 631	2 348 420	(804 789)	(34%)
Planning	50 513 561	62 881 820	(12 368 259)	(20%)
Community	83 480 077	83 192 900	287 177	0%
Electricity	147 879 251	152 252 600	(4 373 349)	(3%)
Technical	70 389 127	75 067 330	(4 678 203)	(6%)
	<b>405 862 892</b>	<b>427 347 226</b>	<b>(21 484 334)</b>	<b>(5%)</b>

Knysna Municipality**Expenditure by Vote**

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
Executive & Council	31 311 490	29 583 090	1 728 400	6%
Corporate	8 141 242	7 343 950	797 292	11%
Finance	11 371 074	13 365 890	(1 994 816)	(15%)
Strategy	1 543 631	2 348 420	(804 789)	(34%)
Planning	50 513 561	62 881 820	(12 368 259)	(20%)
Community	83 480 077	83 192 900	287 177	0%
Electricity	147 879 251	152 252 600	(4 373 349)	(3%)
Technical	70 389 127	75 067 330	(4 678 203)	(6%)
	<b>404 629 453</b>	<b>426 036 000</b>	<b>(21 406 547)</b>	<b>(5%)</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 43 BUDGET COMPARISONS (CONTINUED)

## Expenditure by Vote

Details of material variances

Explanations of variances by Vote are only provided where the value is R 1 million more or less than the budget and the variance percentage is greater than 10%, or where the vote has been over spent.

Executive & Council: R 1 728 400	6% -	The full R 6 million Actuarial Losses was expensed against Executive and Council for the period.
Corporate: R 797 292	11% -	Depreciation charges for Leased Assets of R 1 million resulted in the over expenditure.
Finance: R -1 994 816	(15%) -	A saving of R 1,7 million on debt impairment of property rates.
Planning: R -12 368 259	(20%) -	The main areas contributing towards the savings were debt impairment (R 3,7 million), depreciation ( R3.9 million), general expenses (R 1.6 million) and operating grant expenditure (R2 million)
Community: R 287 177	0% -	The largest contributing factors were employee related costs and bulk refuse removal.

<u>Economic Entity</u>	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
<b>43.3 Capital expenditure by vote</b>				
Executive & Council	383 009	328 000	55 009	17%
Corporate	202 106	132 000	70 106	53%
Finance	3 232 534	761 130	2 471 404	325%
Planning	7 178 673	11 814 000	(4 635 327)	(39%)
Community	586 588	1 760 690	(1 174 102)	(67%)
Electricity	5 529 305	7 584 000	(2 054 695)	(27%)
Technical	37 129 640	35 385 180	1 744 460	5%
	<b>54 241 855</b>	<b>57 765 000</b>	<b>(3 523 145)</b>	<b>(6%)</b>

<u>Knysna Municipality</u>	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
<b>Capital expenditure by vote</b>				
Executive & Council	354 366	296 000	58 366	20%
Corporate	202 106	132 000	70 106	53%
Finance	3 232 534	761 130	2 471 404	325%
Planning	7 178 673	11 814 000	(4 635 327)	(39%)
Community	586 588	1 760 690	(1 174 102)	(67%)
Electricity	5 529 305	7 584 000	(2 054 695)	(27%)
Technical	37 129 640	35 385 180	1 744 460	5%
	<b>54 213 212</b>	<b>57 733 000</b>	<b>(3 519 788)</b>	<b>(6%)</b>

Details of material variances

Executive & Council: R 55 009	17% -	Purchases for newly elected councillors office furniture and equipment (R71 810) was not budgeted.
Corporate: R 70 106	53% -	Office machines purchased by means of finance lease (R107 500) was not budgeted.
Finance: R 2 471 404	325%	Office machines purchased by means of finance lease (R0,4 million) was not budgeted. No capital budget had been made for Microsoft Windows and Server licences budgeted as an operating purchase over three years which was determined to be an asset purchased by means of finance lease (R2,2 million).
Planning: R -4 635 327	(39%)	Delays in implementation and construction of the Homlee Taxi Rank which is funded by means of the Neighbourhood Development Partnership grant (R3 million), and under-expenditure on Housing funded from the Informal Housing and Human Settlements grant (R2,3 million - see also the explanation given in note 41.1 for government grants and subsidies - operating).
Community: R -1 174 102	(67%)	No expenditure made on Sports & Community Facilities (R0,9 million) nor on Waste Disposal Sites (R0,2 million) included in the February 2011 adjustments budget.
Electricity: R -2 054 695	(27%)	R1,8 million unspent on multi-year projects funded by either secured borrowings or from the capital replacement reserve.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
Opening balance	-	-	-	-
Unauthorised expenditure current year - capital	4 340 979	698 098	4 344 336	698 098
Unauthorised expenditure current year - operating	2 735 082	21 801 923	2 812 869	21 801 923
Unauthorised expenditure awaiting authorisation	<b>7 076 061</b>	<b>22 500 021</b>	<b>7 157 205</b>	<b>22 500 021</b>

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget per Vote - See Note 43	None

44.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	18 759	-	18 759	-
Fruitless and wasteful expenditure current year	307 100	18 759	307 100	18 759
Fruitless and wasteful expenditure awaiting condonement	<b>325 859</b>	<b>18 759</b>	<b>325 859</b>	<b>18 759</b>

Incident	Disciplinary steps/criminal proceedings
Fraudulent cheque no. 89485 dated 26/02/2010 banked at FNB Galleria and cleared by Nedbank on 09/03/2010. Replacement reissued to settle creditors account. Reported to Knysna SAP Case No. 658/4/2010 - R18 759	None
Cancellation of international air tickets to Denmark - R16 518	None
Penalty interest on lost cheque between banks - R3 852	None
Penalty interest on two payments to SARS: One for a late payment and the other for a late payment due to cheque being lost in the post - R110 807	None
Pipeline damaged by developer and the municipality repaired it without claiming damages - R36 816	None
Penalty interest on payments not made to the Compensation Commissioner for Occupational Injuries and Diseases since no assessments had been received since 2006 - R142 683	None

44.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	59 414 100	30 045 226	59 414 100	30 045 226
Irregular expenditure current year	-	29 368 874	-	29 368 874
Irregular expenditure reclassified	(59 414 100)	-	(59 414 100)	-
Irregular expenditure awaiting approval	-	<b>59 414 100</b>	-	<b>59 414 100</b>

Incident	Disciplinary steps/criminal proceedings
Prior year balances referred to non-compliance with the Supply Chain Management Policy which were subsequently re-evaluated, as mentioned below.	None

Explanation: In 2009 this expenditure was condoned by Council. The Accountant-General has subsequently declared that any condonation can only be made by National Treasury in terms of Section 170 of the MFMA. Guidance on the manner of application for condonement is now awaited but due to National Treasury not responding the municipality reconsidered the definition of irregular expenditure and determined that amounts previously reported do not constitute irregular expenditure and subsequently removed from this disclosure.

44.4 Material Losses**Electricity distribution losses**

Units purchased (Mwh)	190 754	189 827	190 754	189 827
- Units lost during distribution (Mwh)	13 105	13 902	13 105	13 902
- Percentage lost during distribution	6.87%	7.32%	6.87%	7.32%

**Water distribution losses**

- Mega litres purified	3 869	3 841	3 869	3 841
- Mega litres lost during distribution	702	989	702	989
- Percentage lost during distribution	18.15%	25.76%	18.15%	25.76%

## 45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-	-	-
Council subscriptions	568 763	509 988	568 763	509 988
Amount paid - current year	(568 763)	(509 988)	(568 763)	(509 988)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

45.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-	-	-
Current year audit fee	2 335 110	3 248 522	2 335 110	3 248 522
External Audit - Auditor-General	2 038 921	1 626 529	2 038 921	1 626 529
Internal Audit	143 549	1 469 354	143 549	1 469 354
Audit Committee	152 640	152 640	152 640	152 640
Amount paid - current year	(2 335 110)	(3 248 522)	(2 335 110)	(3 248 522)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
<b>44</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)</b>				
<b>45.3</b>	<b>VAT - [MFMA 125 (1)(b)]</b>				
	Opening balance	11 004 278	3 123 983	11 004 278	3 123 983
	Amounts received - previous year	(8 293 625)	6 143	(8 293 625)	6 143
	Amounts received - current year	(31 385 931)	(33 675 317)	(31 385 931)	(33 675 317)
	Amounts claimed - current year	29 849 741	37 272 895	29 849 741	37 272 895
	Amount paid - current year	3 593 621	4 276 574	3 593 621	4 276 574
	Corrections	(436 809)	-	(436 809)	-
	<b>Closing balance</b>	<b>4 331 275</b>	<b>11 004 278</b>	<b>4 331 275</b>	<b>11 004 278</b>
	Vat inputs receivables and Vat outputs payables are shown in Note 12 All VAT returns have been submitted by the due date throughout the year.				
	Vat in suspense due to cash basis of treatment	(3 711 852)	(5 118 136)	(3 711 852)	(5 118 136)
<b>45.4</b>	<b>PAYE and UIF - [MFMA 125 (1)(b)]</b>				
	Opening balance	(11 197)	(10 181)	(11 197)	(10 181)
	Current year payroll deductions and Council Contributions	(13 814 929)	(11 745 293)	(13 814 929)	(11 745 293)
	Amount paid - current year	13 819 831	11 744 277	13 819 831	11 744 277
	<b>Balance unpaid (included in creditors)</b>	<b>(6 295)</b>	<b>(11 197)</b>	<b>(6 295)</b>	<b>(11 197)</b>
<b>45.5</b>	<b>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>				
	Opening balance	-	-	-	-
	Current year payroll deductions and Council Contributions	(30 052 626)	(27 070 756)	(30 052 626)	(27 070 756)
	Amount paid - current year	30 052 626	27 070 756	30 052 626	27 070 756
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>45.6</b>	<b>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</b>				
	The following Councillors had arrear accounts for more than 90 days as at 30 June:				
	<b>Currently in office</b>			<b>2011</b>	<b>2010</b>
	Dyantyi M			R	R
	Lizwani M			4 316	-
	Gombo E			4 767	-
	Van Aswegen EO			1 394	-
	Williams M			10 532	-
				29	-
	<b>In Office until 18 May 2011</b>				
	Bouw-Spies E			-	1 044
	Kemoetie D			-	304
	Matungana A			-	716
	<b>Total Councillor Arrear Consumer Accounts</b>			<b>21 038</b>	<b>2 064</b>
<b>45.7</b>	The following Councillors had arrear accounts outstanding for more than 90 days during the year.				
	<b>Currently in office</b>			<b>Highest amount outstanding</b>	<b>Ageing</b>
	Dyantyi M			4 316	>150 days
	Lizwani M			4 767	>150 days
	Van Aswegen EO			10 532	>150 days
	Gombo E			1 394	>150 days
	Williams M			29	>150 days
	<b>In Office until 18 May 2011</b>				
	Koti E			2 616	>150 days
	Matungana A			2 186	>120 days
	Bouw-Spies E			1 395	>150 days
	Finn A			2 347	>120 days
<b>45.8</b>	<b>Quotations awarded - Supply Chain Management</b>				
	Non-compliance with the Supply Chain Management Regulations were identified on the following categories:				
		<b>Less than R30,000</b>	<b>Between R30,001 and R200,000</b>	<b>Between R200,001 and R2,000,000</b>	<b>More than R2,000,001</b>
	Inventory	54 195	745 736	1 352 347	-
	Executive & Council	-	202 367	455 904	-
	Corporate Services	59 334	396 644	290 023	-
	Community Services	27 718	386 955	241 768	-
	Financial Services	36 157	492 904	-	-
	Technical Services	29 145	1 073 006	2 266 625	6 833 975
	Electrical Services	44 422	1 760 312	986 903	-
	Planning & Development	26 370	653 975	1 270 731	-
	Strategic Services	-	38 400	-	-
		<b>277 341</b>	<b>5 750 299</b>	<b>6 864 301</b>	<b>6 833 975</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT)

The major deviations were as follows:

Awarded to	Reason/Explanation	Amount
SSI Engineer (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines. Includes services iro of water crisis schemes.	4 119 196
Aurecon SA Pty (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines	2 800 450
Much Asphalt (Supplier)	Supply and delivery of bitumen products on the basis of sole supplier	588 355
Sikhulile Engineers Pty Ltd (Consultants)	Appointed under contract for housing project subject to grant funding ( 2005 )	655 074
Tuiniqua Consulting Engineers (Consultants)	Distribution of projects amongst local consultants	973 523
Clinkscales Maugh-Brown (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines	712 206
Knysna Nissan (Supplier)	Multiple source selection in terms of NT guidelines - Urgent due to uncertain delivery dates	722 000

45.9 Other non-compliance (MFMA 125(2)(e))

The table below contains a list of all the other sections with reasons for non-compliance for Knysna Economic Development Agency

Section	Short description of requirement	Reason for non-compliance
Sect 86 (1)	Submit in writing the bank account details to parent municipality within 90 days after opening the bank account.	Entity was still in pre-establishment phase and was not knowledgeable of the MFMA requirements
Sect 87(1)	Submit the proposed budget to Parent Municipality 150 days prior to start of financial year.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(2)	Submit revised proposed budget to Parent Municipality 100 days prior to start of financial year.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(4)	Board approved the budget 30 days prior to start of financial year.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(8)	Incur only expenditure according to approved budget.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(10)	Made public of the budget to the same way as the parent municipality's budget.	Entity was still in pre-establishment phase and board was not yet appointed
Sect 87(11)	Submit within 7 working days after month end a budget statement to parent municipality in the prescribe format.	The entity only started to report as from January 2011.
Sect 88(1)	Submit a Mid-year Budget & Performance Assessment report by the 20th January.	Entity was still in pre-establishment phase and board did not as yet approved a budget in the prescribe format.
Sect 88(2)	Make public the Mid-year budget and performance assessment report.	Same as Sect 88(1)
Sect 89(a)	Council of parent municipality to determine upper limits of CEO and Senior managers.	Entity was still in pre-establishment phase and no CEO or Senior Manager was appointed for the reporting period. Only a coordinator was appointed.
Sect 95 (c)	Accounting officer ensure and maintain systems of Risk management and Internal control.	Entity was still in pre-establishment phase and is currently performing the risk assessment.
Sect 99 (2)(f)	Accounting officer to ensure the implementation of effective system of expenditure control that complies with tax, duty, pension, medical aid , audit fees and other statutory commitments.	Registration with SARS was received late therefore payments was only made during June 2011.

## 46 CAPITAL COMMITMENTS

## Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure  
Community

Total

This expenditure will be financed from:

External Loans  
Government Grants  
Own Resources

11 590 329	15 423 656	11 590 329	15 423 656
11 080 208 510 121	15 188 837 234 819	11 080 208 510 121	15 188 837 234 819
<b>11 590 329</b>	<b>15 423 656</b>	<b>11 590 329</b>	<b>15 423 656</b>
3 125 095 8 465 234 -	4 657 556 10 715 763 50 338	3 125 095 8 465 234 -	4 657 556 10 715 763 50 338
<b>11 590 329</b>	<b>15 423 656</b>	<b>11 590 329</b>	<b>15 423 656</b>

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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**RETIREMENT BENEFIT INFORMATION**

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator indicated that the pensioner data is confidential and was thus unable to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009- 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

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**FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality entered into a contract for the purchase of Windows software systems for a period of 3 years, denominated in US currency. The municipality does not foresee any significant currency risks related to the transaction and is of the opinion that the benefits of the transaction exceeds the risks attached to the transaction.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2010 - 0.5%) Increase in interest rates	(1 212 908)	(1 374 176)	(1 235 094)	(1 374 176)
0.5% (2010 - 0.5%) Decrease in interest rates	606 454	687 088	617 547	687 088

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 48 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
<b>Economic Entity</b>				
Electricity	5.41%	1 980 302	4.43%	1 218 798
Water	32.89%	12 033 697	29.82%	8 205 376
Housing Rentals	4.38%	1 602 970	8.04%	2 210 825
Refuse	13.82%	5 057 588	19.85%	5 461 843
Sewerage	12.69%	4 640 752	16.10%	4 430 925
Other Consumer Arrears	6.44%	2 356 027	0.00%	-
Rates	24.36%	8 912 908	21.76%	5 985 674
	<b>100.00%</b>	<b>36 584 244</b>	<b>100.00%</b>	<b>27 513 440</b>
<b>Knysna Municipality</b>				
Electricity	5.41%	1 980 302	4.43%	1 218 798
Water	32.89%	12 033 697	29.82%	8 205 376
Housing Rentals	4.38%	1 602 970	8.04%	2 210 825
Refuse	13.82%	5 057 588	19.85%	5 461 843
Sewerage	12.69%	4 640 752	16.10%	4 430 925
Other Consumer Arrears	6.44%	2 356 027	0.00%	-
Rates	24.36%	8 912 908	21.76%	5 985 674
	<b>100.00%</b>	<b>36 584 244</b>	<b>100.00%</b>	<b>27 513 440</b>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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## FINANCIAL RISK MANAGEMENT (CONTINUED)

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:

	Economic Entity 2011 R	2010 R	Knysna Municipality 2011 R	2010 R
Fixed Deposit Investments	14 983 551	13 295 235	14 983 551	13 295 235
Long Term Receivables	530 207	580 950	530 207	580 950
Receivables from exchange transactions	43 062 296	39 405 400	43 062 296	39 405 400
Receivables from non-exchange transactions	19 870 072	20 134 477	19 870 072	20 134 477
Short Term Investment Deposits	31 077 680	26 181 834	31 077 680	26 181 834
Bank and Cash Balances	28 450 710	139 166	26 230 900	139 166
	<b>137 974 516</b>	<b>99 737 063</b>	<b>135 754 705</b>	<b>99 737 063</b>

## (e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<u>Economic Entity</u>	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2011</b>				
Long Term liabilities				
Capital repayments	34 401 483	110 243 779	86 604 415	65 758 253
<i>Loans</i>	17 180 613	59 354 077	50 317 386	46 690 428
<i>Finance Leases</i>	15 189 735 1 990 878	57 135 917 2 218 160	50 317 386	46 690 428
Interest	17 220 870	50 889 701	36 287 029	19 067 825
<i>Loans</i>	16 933 571 287 300	50 612 888 276 814	36 287 029	19 067 825
Trade and Other Payables	32 158 313	-	-	-
Unspent conditional government grants and receipts	7 652 883	-	-	-
Unspent Public Contributions	4 500	-	-	-
	<b>74 217 179</b>	<b>110 243 779</b>	<b>86 604 415</b>	<b>65 758 253</b>
<b>2010</b>				
Long Term liabilities				
Capital repayments	31 993 702	110 871 228	80 458 930	77 228 044
<i>Loans</i>	14 630 692	58 252 873	42 266 316	53 015 429
<i>Finance Leases</i>	17 363 010	52 618 356	38 192 614	24 212 615
Interest	21 744 891 8 413 996	-	-	-
Trade and Other Payables	62 152 589	110 871 228	80 458 930	77 228 044
Unspent conditional government grants and receipts				
<b>Knysna Municipality</b>				
<b>2011</b>				
Long Term liabilities				
Capital repayments	34 401 483	110 243 779	86 604 415	65 758 253
<i>Loans</i>	17 180 613	59 354 077	50 317 386	46 690 428
<i>Finance Leases</i>	15 189 735 1 990 878	57 135 917 2 218 160	50 317 386	46 690 428
Interest	17 220 870	50 889 701	36 287 029	19 067 825
<i>Loans</i>	16 933 571 287 300	50 612 888 276 814	36 287 029	19 067 825
Trade and Other Payables	32 158 313	-	-	-
Unspent conditional government grants and receipts	5 633 600	-	-	-
Unspent Public Contributions	4 500	-	-	-
	<b>72 197 896</b>	<b>110 243 779</b>	<b>86 604 415</b>	<b>65 758 253</b>
<b>2010</b>				
Long Term liabilities				
Capital repayments	31 993 702	110 871 228	80 458 930	77 228 044
<i>Loans</i>	14 630 692	58 252 873	42 266 316	53 015 429
<i>Finance Leases</i>	17 363 010	52 618 356	38 192 614	24 212 615
Interest	21 720 451 8 413 996	-	-	-
Trade and Other Payables	62 128 149	110 871 228	80 458 930	77 228 044
Unspent conditional government grants and receipts				

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 49 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

			Economic Entity	2011 R	2010 R	Knysna Municipality	2011 R	2010 R
<b>49.1 Financial Assets</b>	<b>Classification</b>							
<b>Investments</b>								
Fixed Deposits	Financial instruments at amortised cost		14 983 551		13 295 235		14 983 551	
<b>Financial instruments at cost</b>								
Non-Current Investments								
- Municipal Entity - Knysna Economic Dev Agency	Financial instruments at cost			1		1		1
<b>Long-term Receivables</b>								
Land Sales	Financial instruments at amortised cost		194 920		186 062		194 920	
Staff loans	Financial instruments at amortised cost		11 226		19 014		11 226	
Old age homes	Financial instruments at amortised cost		259 560		258 954		259 560	
Sundry deposits	Financial instruments at amortised cost		6 800		6 800		6 800	
<b>Current Receivables</b>								
Service Debtors	Financial instruments at amortised cost		40 378 691		34 332 511		40 378 691	
Rentals	Financial instruments at amortised cost		351 079		756 890		351 079	
Other Debtors	Financial instruments at amortised cost		2 332 526		4 315 998		2 332 526	
<b>Other Receivables</b>								
Rates	Financial instruments at amortised cost		18 846 231		19 072 244		18 846 231	
Sundry Debtors	Financial instruments at amortised cost		1 023 841		1 062 233		1 023 841	
Government Subsidies and Grants	Financial instruments at amortised cost		3 571 365		7 906 385		3 571 365	
<b>Current Portion of Long-term Receivables</b>								
Staff loans	Financial instruments at amortised cost		4 799		18 047		4 799	
Old age homes	Financial instruments at amortised cost		58 132		100 386		58 132	
<b>Short-term Investment Deposits</b>								
Call Deposits	Financial instruments at amortised cost		31 077 680		26 181 834		31 077 680	
<b>Bank Balances and Cash</b>								
Bank Balances	Financial instruments at amortised cost		28 437 180		770 325		26 218 630	
Cash Floats and Advances	Financial instruments at amortised cost		13 531		11 470		12 270	
			<b>141 551 112</b>		<b>108 294 390</b>		<b>139 331 302</b>	
								<b>108 294 390</b>

## SUMMARY OF FINANCIAL ASSETS

<b>Financial instruments at cost</b>								
Non-Current Investments	Municipal Entity - Knysna Economic Dev Agency			1		1		1
<b>Financial instruments at amortised cost</b>								
Non-Current Investments								
Fixed deposits		14 983 551			13 295 235		14 983 551	
Staff loans		11 226			19 014		11 226	
Old Age Homes		259 560			258 954		259 560	
Sundry deposits		6 800			6 800		6 800	
Land sales		194 920			186 062		194 920	
Services		40 378 691			34 332 511		40 378 691	
Rentals		351 079			756 890		351 079	
Other		2 332 526			4 315 998		2 332 526	
Rates		18 846 231			19 072 244		18 846 231	
Sundry debtors		1 023 841			1 062 233		1 023 841	
Government subsidies and grants		3 571 365			7 906 385		3 571 365	
Staff car loans		4 799			18 047		4 799	
Old Age Homes		58 132			100 386		58 132	
Call deposits		31 077 680			26 181 834		31 077 680	
Bank Balances		28 437 180			770 325		26 218 630	
Cash Floats and Advances		13 531			11 470		12 270	
<b>Total Financial Assets</b>		<b>141 551 112</b>			<b>108 294 390</b>		<b>139 331 302</b>	
								<b>108 294 390</b>

## 49.2 Financial Liability

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :

<b>Long-term Liabilities</b>								
Non-current Loans	At amortised cost		157 973 589		155 825 073		157 973 589	
<b>Payables</b>								
Trade payables	At amortised cost		36 833 575		26 323 318		36 833 575	
<b>Current Portion of Long-term Liabilities</b>								
Short-term portion of Non-current loans	At amortised cost		17 180 613		14 457 926		17 180 613	
<b>Cash and Cash Equivalents</b>								
Bank overdraft	At amortised cost		-		10 185 666		-	
			<b>211 987 777</b>		<b>206 791 982</b>		<b>211 987 777</b>	
								<b>206 767 542</b>

## 50 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2010/2011.

KNYSNA MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

51	IN-KIND DONATIONS AND ASSISTANCE	Economic Entity		Knysna Municipality	
		2011 R	2010 R	2011 R	2010 R
The municipality received the following in-kind donations and assistance:					
<b>Organisation</b>	<b>Contribution towards:</b>				
Belvidere Home Owners Association	Rheenedal Project - Upgrade old clinic building	-	30 000	-	30 000
Eden District Municipality	Contribution towards World Cup 2010	-	250 000	-	250 000
General public	Millwood Museum	150 000	1 202	150 000	1 202
General public	Various mayoral initiatives, including Women's Day	2 576	161 833	2 576	161 833
Nedbank Corporate	SMME Business Incubator	140 578	500 000	140 578	500 000
Stewart Scott International	Contribution towards World Cup 2010	-	60 000	-	60 000
		293 154	1 003 035	293 154	1 003 035

52 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

## **53 CONTINGENT LIABILITY**

Claims against Council	6 558 504	6 558 504
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
Alleged transfer of property to the wrong person (CK2434, ref 13/R)	Unknown	Unknown
Alleged wrongful impounding of trading goods and demolition of trading structure; claim for R 179 000 plus interest and costs (C01680, ref 14/1/1/13R)	179 000	179 000
Action instituted for damages and claims payment of R 2 030 750 plus interest @ 15.5% p.a. from 06/03/2004 and costs (C02118)	6 314 504	6 314 504
Possible cost order - Knysna Caring Services T/A Loeie Old Age Home.	65 000	65 000
	6 558 504	6 558 504

## **54 RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

## **54.1 Related Party Transactions**

<b>Related Party Transactions</b>	<b>Rates Levied 1 July to 30 June:</b>	<b>Service Charges Levied 1 July to 30 June:</b>	<b>Other Charges Levied 1 July to 30 June:</b>	<b>Outstanding Balances at end of year:</b>
<b>Year ended 30 June 2011</b>				
Councillors before 18 May 2011	46 068	84 709	737	7 058
Councillors effective from 18 May 2011	19 593	33 088	5 218	7 933
Municipal Manager and Section 57 Personnel	21 535	68 348	29 550	2 553
<b>Year ended 30 June 2010</b>				
Councillors	38 523	73 716	788	4 948
Municipal Manager and Section 57 Personnel	23 525	58 914	-	1 892

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

## **54.2 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 18 to the Annual Financial Statements.

#### **54.3 Compensation of key management personnel**

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

	2011 R	2010 R	2011 R	2010 R
<b>Other related party transactions</b>				
The following purchases were made during the year where Councilors or Management have an interest:				
<u>Councillor/Staff Member</u>	<u>Entity:</u>			
Mr. R. Bouwer (Stores Clerk)	J.C.O Terblanche (Dis/Reconnection of	359 657	223 071	359 657
Mr. R. Bouwer (Stores Clerk)	JC Terblance I/a P&H Services	153 230	-	153 230
Mr. P. Claasen (Stores Officer)	G & C Suppliers	-	-	-
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Head to Head	11 214	11 930	11 214
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Global Wave	166 457	15 281	166 457
Ms. L. Grobler (Customer care admin assistant)	Q&E Carpet Cleaners Knysna	4 110	-	4 110
Ms. M. McDonald (Principal Technical Electrical)	Jam Electrical	341 197	-	341 197
Ms. N Misana	Zwelidumile Misana	2 850	-	2 850
		<hr/> 1 038 714	<hr/> 250 282	<hr/> 1 038 714
				250 282

## KNYSNA MUNICIPALITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 53 RELATED PARTIES (CONTINUED)

## 54.5 Investment in Municipal Entity

The Municipality has a 100% shareholding in Amaraka Investments No 64 (Pty) Ltd T/A Knysna Economic Development Agency, as set out in note 17 to the Annual Financial Statements. No other transactions was entered into with this related party for the current financial year.

## 55 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

## 55.01 GRAP 17 - Property, Plant and Equipment

2010

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Property, Plant and Equipment	225 834 544	225 834 544
Accumulated depreciation on Property, Plant and Equipment	147 287 901	147 287 901
Opening balance revaluation adjustments	(28 352 876)	(28 352 876)
Total not previously recognised now restated retrospectively	<u>344 769 568</u>	<u>344 769 568</u>

## 55.02 GRAP 102 - Intangible Assets

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;	(2 038)	(2 038)
Accumulated amortisation on computer software	2 035	2 035
Total not previously recognised now restated retrospectively	<u>(3)</u>	<u>(3)</u>

## 55.03 GRAP 16 - Investment Properties

Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:

Investment Properties at fair value	175 288 306	175 288 306
Accumulated depreciation on Investment Properties	94 473	94 473
Fair value adjustments	(33 382 002)	(33 382 002)
	<u>142 000 776</u>	<u>142 000 776</u>

**APPENDIX A - Unaudited**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Original Loan Amount	Redeemable	Balance at 30 JUNE 2010	Correction	Balance at 30 JUNE 2010	Recapita- lisation	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
<b>LOCAL REGISTERED STOCK</b>										
Tswane City Council	16.35%	2 322 482	31/12/2013	2 322 482	-	2 322 482	-	-	-	2 322 482
Tswane City Council	16.45%	710 520	31/12/2018	710 520	-	710 520	-	-	-	710 520
<b>Total Long-term Loans</b>		<b>3 033 002.00</b>			<b>3 033 002</b>		<b>3 033 002</b>		<b>-</b>	<b>3 033 002</b>
<b>ANNUITY LOANS</b>										
ABSA	11.98%	15 000 000	30/06/2028	14 698 081	-	14 698 081	-	-	256 587	14 441 493
ABSA	10.65%	7 010 000	01/10/2028	6 839 085	-	6 839 085	-	-	128 897	6 710 188
ABSA	11.24%	7 000 000	30/09/2028	6 952 280	-	6 952 280	-	-	122 899	6 829 382
ABSA	10.04%	19 579 000	30/06/2029	19 267 782	-	19 267 782	-	-	366 176	18 901 606
DBSA	11.60%	11 339 800	30/06/2021	6 565 147	-	6 565 147	-	-	596 832	5 968 316
DBSA	11.97%	5 077 667	30/06/2022	3 206 947	-	3 206 947	-	-	267 246	2 939 702
DBSA	11.97%	1 194 900	30/06/2012	265 533	-	265 533	-	-	132 767	132 767
DBSA	12.05%	6 898 760	30/06/2023	4 720 204	-	4 720 204	-	-	363 093	4 357 111
DBSA	12.05%	1 965 640	30/06/2013	655 213	-	655 213	-	-	218 404	436 809
DBSA	11.60%	8 594 807	30/06/2024	6 333 016	-	6 333 016	-	-	452 358	5 880 658
DBSA	11.60%	1 911 374	30/06/2019	1 228 740	-	1 228 740	-	-	136 527	1 092 213
DBSA	11.60%	1 452 650	30/06/2014	645 622	-	645 622	-	-	161 406	484 217
DBSA	10.70%	9 380 257	31/12/2025	7 652 315	-	7 652 315	-	-	493 698	7 158 617
DBSA	10.70%	1 500 330	31/12/2020	1 125 248	-	1 125 248	-	-	107 166	1 018 081
DBSA	10.70%	1 979 824	31/12/2015	1 222 412	-	1 222 412	-	-	222 257	1 000 155
DBSA	10.70%	2 024 531	31/12/2010	265 710	-	265 710	-	-	265 710	-
DBSA	13.75%	34 437 967	30/06/2015	21 767 824	-	21 767 824	-	-	3 281 246	18 486 578
DBSA	11.25%	5 386 431	30/06/2026	5 374 848	-	5 374 848	-	-	335 928	5 038 920
DBSA	11.29%	1 741 830	30/06/2021	1 343 424	-	1 343 424	-	-	122 129	1 221 294
DBSA	11.25%	2 393 924	30/06/2016	1 450 088	-	1 450 088	-	-	241 681	1 208 407
DBSA	8.65%	8 000 000	29/06/2021	-	-	-	-	8 000 000	-	8 000 000
Eden District Municipality	0.00%	504 000	30/06/2013	100 800	-	100 800	-	-	25 200	75 600
INCA	10.77%	2 561 506	23/06/2011	593 506	-	593 506	-	-	593 506	-
INCA	10.81%	18 607 000	15/02/2027	17 667 715	-	17 667 715	-	-	400 711	17 267 004
INCA	10.87%	8 390 000	31/12/2012	4 774 254	-	4 774 254	-	-	1 759 676	3 014 578
INCA - Transferred to Standard Bank	11.25%	2 600 000	23/05/2018	2 305 048	-	2 305 048	64 222	-	202 817	2 166 453
INCA - Transferred to Standard Bank	11.24%	5 884 000	20/03/2019	5 539 331	-	5 539 331	309 828	-	574 245	5 274 914
INCA - Transferred to Standard Bank	10.72%	5 106 000	20/03/2014	4 284 460	-	4 284 460	221 121	-	1 067 893	3 437 687
Nedbank	10.08%	14 960 000	17/06/2020	14 960 000	-	14 960 000	-	-	902 363	14 057 637
Standard Bank	10.26%	10 000 000	30/09/2020	-	-	-	-	10 000 000	299 924	9 700 076
<b>Total Annuity Loans</b>		<b>229 721 560</b>			<b>161 804 631</b>		<b>161 804 631</b>	<b>595 170</b>	<b>18 000 000</b>	<b>14 099 340</b>
										<b>166 300 462</b>
<b>LEASE LIABILITY</b>										
Finance Leases				3 156 050	171 627	3 327 676	-	2 110 799	1 229 437	4 209 038
<b>Total Lease Liabilities</b>				<b>3 156 050</b>	<b>171 627</b>	<b>3 327 676</b>		<b>2 110 799</b>	<b>1 229 437</b>	<b>4 209 038</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>167 993 683</b>	<b>171 627</b>	<b>168 165 309</b>	<b>595 170</b>	<b>20 110 799</b>	<b>15 328 776</b>	<b>173 542 503</b>

**APPENDIX B - Unaudited**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2010	Contributions during the year	Operating Expenditure during the year	Capital Expenditure during the year	Balance 30 JUNE 2011
	R	R	R	R	R
<b>UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>					
Dist Grant - Karatara Water Meters	(200 000)	-	-	200 000	-
Dist Grant - Knysna Municipality Bio Diversity	(90 000)	-	90 000	-	-
Dist Grant - Knysna Survey Project	-	(150 000)	-	-	(150 000)
Nat Grant - DWAF: Masibambane	(234 761)	(80 000)	-	-	(314 761)
Nat Grant - Equitable Share	-	(22 278 864)	22 278 864	-	-
Nat Grant - Integrated Electrification Program	-	(1 452 000)	125 332	1 326 668	-
Nat Grant - Local Government Finance Management Grant	-	(1 000 000)	992 175	38 433	30 609
Nat Grant - Neighbourhood Development Partnership Grant(NDPG)	-	(5 000 000)	-	1 398 764	(3 601 236)
Nat Grant - Municipal Infrastructure Grant	(5 668 173)	(11 673 000)	2 470 880	17 813 863	2 943 570
Nat Grant - Municipal System Improvements Grant	-	(750 000)	817 973	-	67 973
Nat Grant - Municipal Disaster Management Grant (MDMG)	5 315 156	(17 900 000)	-	12 584 844	-
Prov Grant - Community Development Worker (Operat)	32 833	(74 000)	26 430	14 737	-
Prov Grant - Library	-	(511 000)	511 000	-	-
Prov Grant - Housing Consumer Education	(70 949)	-	51 765	-	(19 184)
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	2 126 375	(39 292 313)	34 509 117	3 087 347	430 526
Prov Grant - Public Transport Facility (Trans P/W)	(458 351)	-	-	-	(458 351)
Prov Grant - Ward Based Projects	(40 155)	-	40 155	-	-
Prov Grant - Poverty Alleviation (Social Development)	(318 276)	-	282 017	-	(36 258)
Prov Grant - Performance Management System (Management Support)	(166 071)	-	37 733	3 508	(124 830)
Prov Grant - Upgrade B-Field - Loerie Park	-	(200 000)	-	-	(200 000)
Other Grant - National Lottery (Sport)	432 021	(333 333)	-	-	98 688
Other Grant - Govan Mbeki National Housing Award	(533 849)	-	-	419 759	(114 090)
Other Grant - LG Seta Learnerships	-	(75 914)	75 914	-	-
Other Grant - IDC:Development Agency	(547 958)	-	547 958	-	-
Other Grant - UYF: Youth Advisory Centre	(85 454)	-	85 454	-	-
Other Grant: Sporting & Football Facility(France)	-	(464 890)	-	-	(464 890)
Other Grant: Sporting & Football Facility(Denmark)	-	(150 000)	-	-	(150 000)
Other Grant: IDC - Establishment phase	-	(2 205 136)	185 853	-	(2 019 283)
<b>Total</b>	<b>(507 611)</b>	<b>(103 590 450)</b>	<b>63 128 620</b>	<b>36 887 924</b>	<b>(4 081 517)</b>